Austria Sch22	Indonesia Rp3100	Portugal Esc120
Bahrain Din0.650	Israel IS3.50	S.Arabia Rl7.00
Belgium BFr48	Italy L1700	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta145
Cyprus C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark DKr10.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switz SFr2.30
Finland Fmk7.00	Lux LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rlm4.25	Thailand Bht50
Germany DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,510 — Monday April 11 1988 — D 8523 A

The politics behind Washington's Trade Bill, Page 4

World News

Pakistan arms dump explosion kills 70

At least 70 people were killed and 800 injured by bombs and rockets that rained on Islamabad and Rawalpindi after an explosion in a Pakistan army arms depot.

The Government ordered three days of mourning and officials said President Mohammad Zia-ul-Haq was cutting short a visit to Kuwait for a meeting of Islamic leaders and returning home. Page 22

US backs business trip

William Verity, US Commerce Secretary, is heading a delegation representing more than 200-plus US companies to the Soviet Union. It is due to arrive in Moscow today and hopes the recent easing of tension between Washington and Moscow will pave the way for improved commercial links. Moscow examines special business zones, Page 22

De Mita for Italy PM

Ciriaco De Mita, the 60-year-old Christian Democrat leader, will be formally appointed Prime Minister of Italy this week after successfully completing negotiations on formation of the country's 48th post-war government Page 4.

Shultz to Geneva

George Shultz, US Secretary of State, may go to Geneva on Thursday to attend the signing of accords calling for the withdrawal of Soviet forces from Afghanistan. Page 2

Turkey Gulf warning

Turkey closed the airspace over the south-eastern part of the country and told Iran and Iraq that it would shoot down intruding military aircraft, said the semi-official Anatolia news agency. Page 2

Israel sacking call

A right-wing parliamentarian called for the dismissal of Israeli Army's Chief of Staff, Maj-Gen Dan Shomron, over the death last week of a Jewish teenage girl. Page 2

Tamil peace talks

President Junius Jayewardene, of Sri Lanka held talks with Tamil rebel leader Uma Maheswaran aimed at trying to end violence in the North and East of the country.

Peking student sit-in

Students staged a sit-in on Tiananmen Square, Peking, in protest at education funding and working conditions of Chinese intellectuals. Page 4

Sahara conflict talks

Organisation of African Unity chairman Kenneth Kaunda and UN Secretary General Javier Perez de Cuellar agreed in Brussels to step up efforts to solve the Western Sahara conflict.

Afghans down airliner

Moslem rebels shot down a passenger aircraft with a missile over northern Afghanistan killing all 29 people aboard, the Soviet news agency Tass said.

EC aid 'undermined'

The European Community is undermining its Third World aid programme with an agricultural policy and subsidised exports that help depress world prices and discourage developing countries' food output, a Brussels Commission official admitted. Page 3

Mountain protest

Some 300 Hungarians hiked up a mountain near the Hungarian-Czech border to protest against the planned construction of a reservoir in a nature reserve.

'La Signora' warrant

Magistrates issued an arrest warrant against Ms Anna Bonomi Bolchini, 77, a Milan businesswoman, known as La Signora, in connection with the 1982 Banco Ambrosiano crash. Page 3

Business Summary

Soviets may set up zones for Western companies

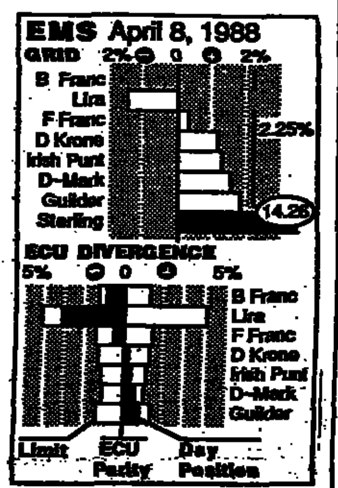
MOSCOW is considering setting up Chinese-style special economic zones in the Soviet Union, where Western companies could operate without the restraints of the Soviet economy. Page 22

NEWS CORPORATION, Rupert Murdoch's multinational media group, has been given the go-ahead by the Australian Government to buy an additional stake in Reuters Holdings, London-based international news and financial-information service.

EUROPEAN Monetary System: The French franc was weaker in last week's short trading session. With the French presidential elections so close, many traders were uncertain how much pressure would be put on the franc and there was speculation that the Bank of France had intervened from time to time.

There was also little incentive to make investment decisions before this week's meeting of G7 finance ministers, and the release of US trade figures for February.

However, there was no real downward pressure on the weaker currencies as the continued strength of sterling helped to keep the D-Mark subdued.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

QUAKER STATE, US independent marketer of motor oil, has received an offer from a Wall Street investment firm which values its business at just under $700m. Page 23

SIEMENS of West Germany, Bull of France and the UK's ICL are making a joint bid for an Ecu85m ($69m) European Community research computer project. Page 22

WEST EUROPEAN car production surged to a record level last year exceeding the previous peak set in 1973 by about 600,000 units. Page 22

ADVANCED MICRO Devices, California semiconductor maker, lifted first-quarter net profits to $20.15m from $2.89m, on sales up 27.5 per cent to $284.2m. Page 25

JACOBS SUCHARD, Swiss foods group, plans a one-for-five rights issue which will increase registered and bearer capital by SFr75.8m ($54.8m) to a total SFr324m.

ATLAS CONSOLIDATED Mining, heavily-indebted Philippine copper and gold producer, made 157m pesos ($7.6m) in the final three months of 1987 against a loss of 294m pesos in the same period a year ago, its first quarterly profit since 1983. Page 25

HACHETTE, leading French publisher, has enlisted the support of the Walt Disney group in its $444m bid for Grolier, US encyclopaedia company. Page 25

CHILE and a committee of its commercial creditors reached agreement to cut interest rates on part of the country's $19bn foreign debt. Page 3

Arafat joins bid to end hijack as new threat is made to hostages

BY TONY WALKER IN LARNACA AND ANDREW GOWERS AND MICHAEL CASSELL IN LONDON

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, was last night at the centre of attempts to free around 50 passengers trapped on a hijacked Kuwaiti airliner at Larnaca airport in Cyprus amid cautious hopes of progress in resolving the crisis.

Mr Akis Fantis, the Cyprus Government spokesman, told reporters that Mr Arafat, who arrived in Kuwait from Moscow last night for a meeting of Islamic Conference Organisation leaders, was "giving us a very helpful hand in the whole situation." He also said he hoped to make "a good announcement" soon.

Officials close to the negotiations were quoted as saying that the hijackers had offered to free 20 of their passengers in return for fuel, but that the Kuwaiti authorities turned this down.

After four meetings with PLO officials, the hijackers appeared to be softening and showing increasing "concern for their own safety."

Mr Fantis's remarks came at the end of a day of mediation efforts by the PLO's deputy representative in Cyprus, Mr Malaz Abdo, between Kuwaiti officials and the hijackers, and a day of threats by the Arab gunmen, believed to be Lebanese Shia Moslems, holding the plane.

His comments also followed a threat from pro-Iranian extremists in Beirut to kill Western hostages they are holding if the aircraft was stormed.

Early yesterday, the hijackers threatened to stage a "slow, quiet massacre" of the passengers if their demands for the plane to be refuelled were not met.

As darkness fell on the eastern Mediterranean, they said they had begun harming passengers following the Cyprus authorities' persistent refusal to provide fuel.

After the expiry of a deadline the hijackers had set for refuelling the aircraft, one of them told the control-tower: "We have already started to hurt one of the passengers . . . one passenger confirmed hurted."

A Kuwaiti passenger, believed to be with the armed forces, was shot dead and his body was dumped on the tarmac on Saturday. He had been tortured, Cyprus officials said.

In Beirut, Islamic Jihad, a pro-Iranian group of Shia Moslems which may be responsible for the Larnaca hijacking, increased tension another notch last night. It threatened to kill western hostages it holds if the airliner were stormed.

The threat came in a typewritten statement delivered to an international news agency in Beirut with photographs of two hostages, Frenchman Jean Paul Kauffmann and American Terry Anderson.

The statement said: "To the families of the hostages and their governments we announce that we will execute the western hostages in Lebanon if the plane or the strugglers on board are target to any foolish military action.

It added its "full support to the rightful demands of the hijackers."

The hijackers were demanding fuel to enable them to fly to Kuwait where they have threatened to fly the Boeing 747 into the ruler's palace if they are not given permission to land.

Their aim is to obtain the release of 17 Arab militant prisoners in a Kuwaiti jail, a demand the Kuwaiti Government has repeatedly refused to discuss.

A statement from the hijackers condemned "the stubbornness and close-mindedness of the Kuwaiti authorities" and urging Cyprus to allow the aircraft to take off in order to prevent "a slow, quiet massacre."

They also warned Britain, which has a Royal Air Force base on two sites in Cyprus, not to intervene.

In London, British Government sources last night refused to comment on suggestions British military forces could be involved in any attempt to end the hijacking, or on speculation that an SAS contingent was already at the sovereign military base at Akrotiri. The Foreign Office said speculation was unhelpful and only likely to make matters worse for those involved.

Mrs Margaret Thatcher, Prime Minister, is being kept in close touch with developments. Diplomatic contacts between Britain, Cyprus and Kuwait were said to be "close and continuing."

Despite the earlier threat, a midday deadline passed without incident. The hijackers gave no details, in radio communications with Larnaca Airport control-tower, of what "harm" they had inflicted on a passenger they claimed to have singled out for attention.

The gunmen are thought to number at least seven. They are holding hostage about 50 passengers and crew aboard the Jumbo jet which is sitting at Larnaca runway's eastern end with doors closed.

Background, Page 2; Editorial comment, Page 20

HIJACK TRAIL

Tuesday April 5: Jetliner with 112 people on flight to Kuwait from Bangkok hijacked to Mashhad in Iran. Hijackers demand release of 17 pro-Iranian extremists jailed in Kuwait over the 1983 bombings of US and French embassies. Kuwait asks Iran not to let aircraft leave.

Wednesday: Kuwait sends team to Iran to negotiate but says it will be not blackmailed. 24 women passengers freed.

Thursday: 32 more hostages freed, hijackers again threaten to blow up aircraft, which is refuelled after they fire on security guards and threaten to take off. Hijackers, at Iran's request, give prime ministers of Turkey and Pakistan until early Friday to negotiate with Kuwait.

Friday: Deadline passes, aircraft takes off but refused permission to land in Syria or Lebanon. With tanks near empty, it lands in Cyprus.

Saturday: Hijackers kill Kuwaiti security guard after demands for fuel refused. Pilot reports captives being beaten. A PLO official talks to hijackers. One hostage freed.

Sunday: Hijackers threaten "slow, quiet massacre" unless aircraft allowed to leave.

US to back G7 stance on dollar, trade imbalances

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN WASHINGTON

THE US plans this week to join other leading industrial nations in reaffirming its commitment to a stable dollar and to continued co-operation to reduce international trade imbalances.

Finance ministers and central bankers from the US, Japan, West Germany, France, Britain, Italy and Canada will meet in Washington on Wednesday ahead of broader talks at the International Monetary Fund.

The Group of Seven (G7) meeting is the first at ministerial level since last October's stock markets crash, but participants insist that it will be a low-key affair with no substantial policy initiatives.

The US presidential election in November effectively rules out further immediate action to cut the US budget deficit, while both Japan and West Germany believe they can do little more to stimulate their economies.

A US Administration official said the G7 could be expected to uphold its statement of last December which re-established a commitment to stabilise the dollar after its sharp fall following the share price collapse.

He confirmed that the US Treasury was opposed to any further substantial shift in the US currency's value after its sharp decline since 1985. That, however, did not imply that the G7 had set a firm target for the dollar.

The relatively small fluctuations seen since December's statement were acceptable, the official said. During that period the dollar has moved between Y120 and Y130 and between just above DM 1.55 and DM 1.70.

The US currency, after coming under some pressure at the end of last month, has been fairly stable in recent days as financial markets await the outcome of Wednesday's talks and the publication on Thursday of US trade figures for February.

Much of the finance ministers' time is expected to be devoted to the detailed joint review of developments in each of their economies, agreed at last year's world economic summit in Venice.

The US official said this was the first such major "surveillance" exercise since the summit and, as such, was regarded with considerable importance

Mr James Baker, the US Treasury Secretary, will also be pushing his plan to establish a new commodity price index, including gold, which would provide an advance guide to the outlook for world inflation.

The US Treasury sees such an index as a useful addition to the national performance indicators which at present provide the basis for the surveillance exercise. It has backed away, however, from suggestions that it might provide a commodity-price standard on which to base international exchange rate management and changes in national monetary policies.

The US official said that much of the detailed technical work on the construction of the indicator had now been completed, but there remained some unresolved issues. These include the weight to be given to gold in the index and the extent to which it would reflect changes in oil prices.

The G7 is expected to reach final agreement ahead of the Toronto world economic summit in June.

Discussions at the IMF on the debt crisis are expected to focus on increasing the flexibility of Fund lending to highly-indebted middle income countries.

In particular, the US will be pushing its plan for debtors to get increased access to additional financing to cover unforeseen contingencies such as rises in interest rates.

The Fund's Executive Board has also been preparing improvements to the IMF's Extended Fund Facility which provides finance for longer periods than traditional standby arrangements.

Mobutu jets into the La Générale saga

BY ALAN FRIEDMAN IN MILAN

IT MAY not have any direct impact on Thursday's showdown between shareholders in Société Générale de Belgique, but President Mobutu Sese Seko of Zaire has just written himself into the long-running saga by flying into Turin for lunch and talks with Mr Carlo De Benedetti, who is seeking control of the Belgian conglomerate.

In one of the more bizarre twists to the battle, it has been revealed that Mr Mobutu spent four hours last Friday with the Italian entrepreneur, discussing the future of the Belgian group's Union Minière mining subsidiary, the biggest company in Zaire.

President Mobutu's Boeing 727 touched down at Turin airport just before lunch, where he, his wife, seven children and a cousin, were received with all the pomp one might associate with a state visit.

Mr De Benedetti's aides sought yesterday to downplay the event, but implied that President Mobutu's lightning visit could be taken as an informal gesture of support for the Italian's battle for control of La Générale.

While his wife shopped for Italian fashion in downtown boutiques, President Mobutu retreated to Villa De Benedetti in the Turin hills for talks.

Union Minière has an historic presence in Zaire, formerly the Belgian Congo, and President Mobutu has invited Mr De Benedetti to visit the capital, Kinshasa, for further discussions.

The Mobutu-De Benedetti summit, which according to reports was spent largely over a lunch of asparagus, ravioli, grilled seafood and dry white Gavi wine from Piedmont, goes down as one of the more eccentric episodes in the otherwise grim bid contest between the Italian entrepreneur and the Suez group of France.

It is not known whether President Mobutu went away satisfied, but his wife is understood to have charged up vast quantities of Italian sweaters, trousers and shoes for the children.

Saudis give consent to emergency Opec review of output

By Richard Johns in Vienna

SAUDI ARABIA suffered what appeared to be a significant setback in its attempts to avoid further oil production cuts when it agreed to an emergency meeting of the Organisation of Petroleum Exporting Countries (Opec) to review output levels.

Mr Hisham Nazer, the Saudi Oil Minister, unexpectedly consented at the weekend to a full review of Opec's collective output level on April 25, following intense pressure from Venezuela and Algeria. He gave his consent at a meeting of the Organisation's ministerial pricing committee in Vienna.

The pricing committee also decided to convene on April 23 for consultations with non-member producers about their possible collaboration in cutting overall output to support Opec's reference price of $18 per barrel.

Since the last full Opec conference in December, prices have fallen to about $4 below the official rate set by the organisation at the end of 1986.

Mr Rilwanu Lukman, the Nigerian Oil Minister and president of Opec, is to invite Mexico, Colombia, Egypt, Angola, Oman, Malaysia and China to attend the meeting with the non-Opec producers.

The meeting of all 13 member states of Opec will be billed as a "consultative conference", but will become an extraordinary conference if and when a decision on a reduction in Opec's present output ceiling is made.

Mr Kazempour Ardebili, an Iranian Deputy Oil Minister, said yesterday a cut of 5-10 per cent in output below the present agreed limit of 15.06m barrels a day set for 12 of the 13 members would be required to restore prices to the reference level. Iraq is not party to the output pact.

Although not a member of the committee, Iran gave important support to Venezuela and Algeria, which were in a minority until the sudden arrival in the afternoon of Mr Ardebili. His intervention was clearly crucial in winning over the support of Nigeria and Indonesia, the other members of the committee.

Mr Ardebili was confident about the possibility of non-Opec producers collaborating with Opec in curbing total output.

Agreement was only reached after an intense exchange between Mr Arturo Hernandez Grisanti, Venezuela's Minister of Energy and Mines, and Mr Nazer.

Mr Hernandez accused Saudi Arabia of aiming at a price of $15 a barrel rather than $18, which is the official objective of Opec and was also endorsed by King Fahd

Continued on Page 22

Siemens, Bull and ICL link in bid for $105m Esprit project

BY TERRY DODSWORTH, INDUSTRIAL EDITOR, IN LONDON

EUROPE'S three leading computer groups, Siemens of West Germany, Bull of France and ICL of the UK, are pooling their interests to make a joint bid for an Ecu85m ($105m) collaborative research project funded by the European Community.

The programme, centred on the basic designs for the next generation of large mainframe computers, is one of the most ambitious items being planned under the second phase of the EC's Esprit research effort into information technology.

In some ways it will make Europe more capable of responding to the Japanese government-sponsored plan to push computer technology ahead with a fifth generation project launched in the early 1980s. A total of 16 companies and universities from all over Europe are associated with the Esprit proposal.

Applications for Esprit II, which will run for five years and absorb funds of about Ecu3.4bn, have been flooding into Brussels over the past few weeks to meet today's deadline for entry. The new phase, approximately twice the size of the original Esprit research programme, will probably embrace about 500 different projects chosen from around 1,500 entries.

Among these programmes, jointly funded by the EC and the participating companies, are to be a small number of large-scale projects chosen to bring together a number of technologies which show particular promise as the basis for new products. The Siemens-Bull-ICL proposal falls into this category in the sphere of computer architecture, the design methods which determine how a computer processes information.

The joint application brings together three companies which have begun to collaborate increasingly in pre-competitive research over the past few years. In the effort to develop a stronger European challenge to American domination of the computer industry, they came together to establish the European Computer-Industry Research Centre at Munich four years ago, and have also taken a strong role in standards-setting for the industry.

More recently, they have begun collaboration on research relating to the Esprit project. This began following work done by a ICL-led consortium in the UK's Alvey high technology research programme, which will have spent £10m ($18.7m) in this field by the end of the year.

There are indications that a rival consortium, led by Olivetti, the Italian company, and Philips of the Netherlands, will also put in a bid for the computer project. If so, the EC will be anxious to settle the conflict swiftly, possibly even drawing the teams together, because of the importance of the move into the next generation of computer architecture.

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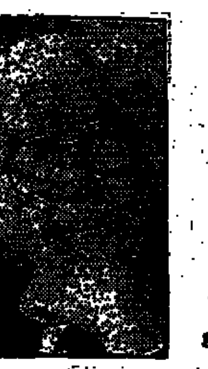

THE MONDAY PAGE INTERVIEW

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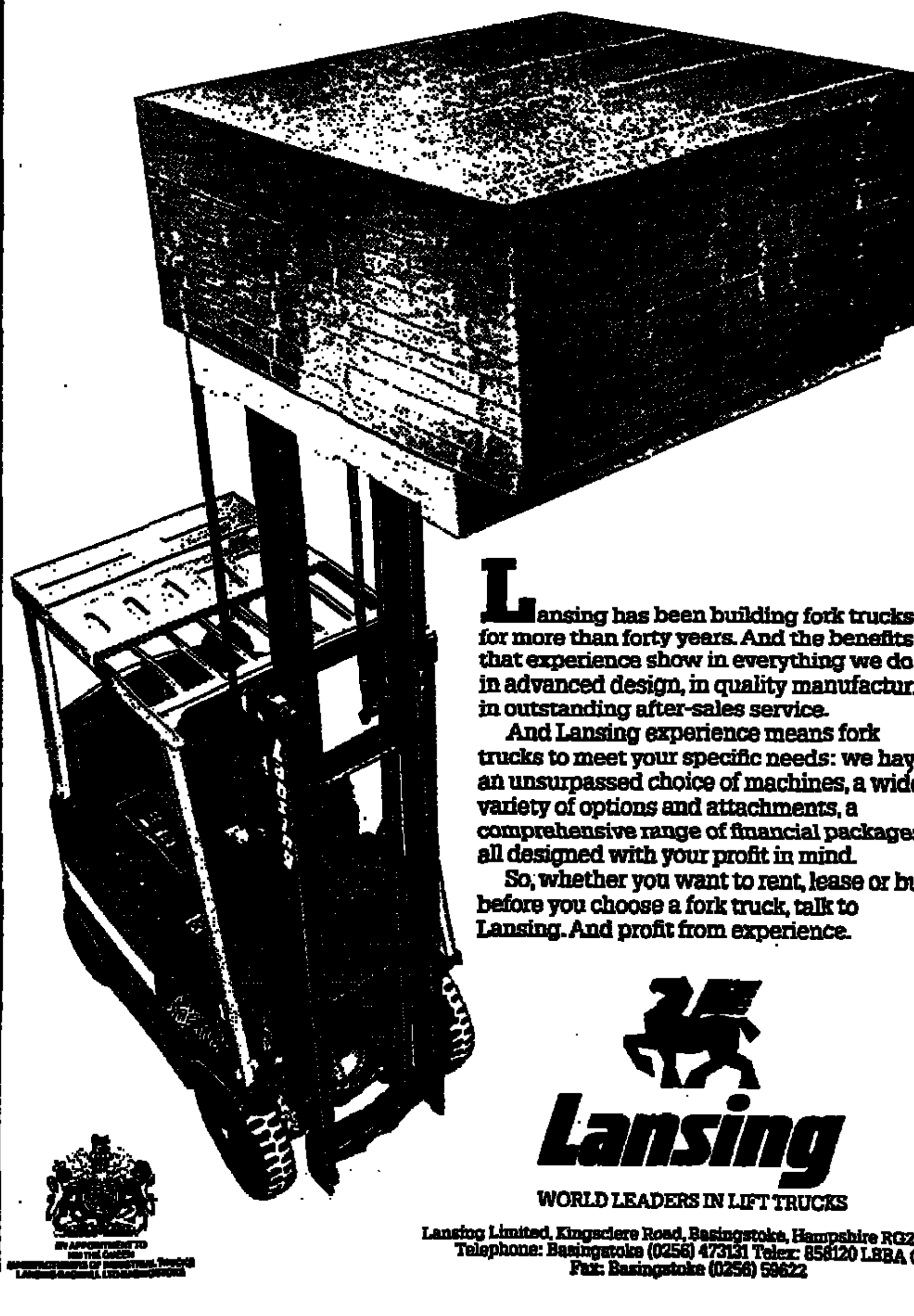
Profit from experience



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Tony Walker reports from Larnaca on an island's proximity to the Middle East

Cypriots bask uneasily on edge of trouble

THE ICE CREAM vans were doing brisk trade on the waterfront within about 300 metres of the hijacked Kuwaiti airliner, isolated on the runway at Larnaca Airport.

Cypriot families, enjoying the pleasant spring sunshine and the long Easter weekend of Orthodox Christianity, had flocked to the nearest vantage point to the stricken aircraft. With the exception of an armoured personnel carrier watching proceedings, there was surprisingly little security.

For the Cypriot authorities, the hijacking of the Kuwaiti aircraft to Larnaca is another troubling reminder of the difficulty this island republic has in keeping its distance from conflict in the Middle East.

Cyprus, its population split into Greek and Turkish sectors and numbering about 650,000, is obliged to pay a price for its close proximity to events in the Middle East.

The Greek two-thirds of the island has prospered since the Turkish invasion in 1974 fractured a fragile unity.

Cyprus has profited in that the Lebanese civil war led to an influx of businesses from Lebanon. For many foreign business people, the good communications and relatively flexible tax laws made Cyprus something of a haven.

Journalists who had used Beirut as a base until the threat of kidnapping drove most reporters away have established their headquarters in Cyprus.

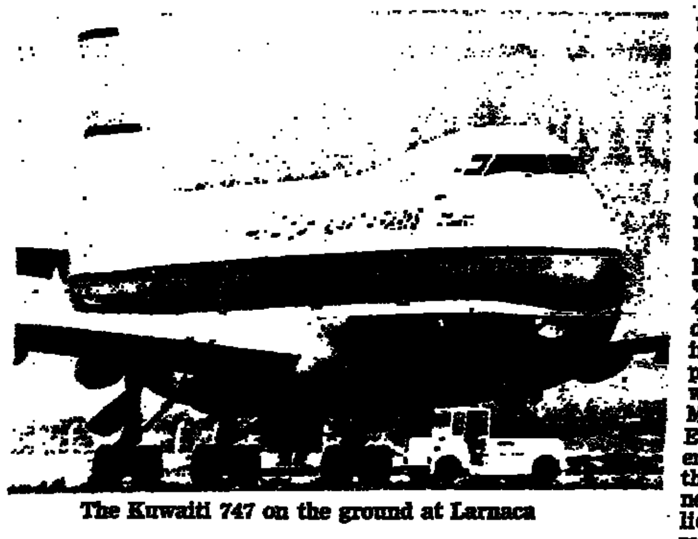
Cyprus's reliance on tourism, its main industry, partly explains why the authorities have kept the airport open in spite of the forbidding presence at the end of the runway of the Kuwaiti airliner with its distinctive Wedgwood blue and white markings.

Scantily-clad Scandinavian and German tourists continue to pour into the modest terminal building at Larnaca, apparently oblivious to the drama being played out between the control tower and the gunmen inside the 747, who are threatening to kill again.

The authorities are worried about the effect of such bloody events on tourism, but this is by no means the first time in recent years that Cyprus has felt the sting of regional trouble.

Almost 10 years ago, the late President Anwar Sadat of Egypt dispatched his commandos to Larnaca to storm an Egyptair aircraft that had been hi-jacked by two Palestinian guerrillas. The mission ended in disaster when the Cypriot National Guard fired on the Egyptians, killing 15 of them. The incident caused fury on both sides and led to an eight-year rupture in diplomatic relations between Nicosia and Cairo.

The sensitivity shown by the Cypriot government on that occasion, over a clear violation of its sovereignty, makes it less likely that Cyprus will invite a foreign force to help free the Kuwaiti airliner.



The Kuwaiti 747 on the ground at Larnaca

Other recent incidents that have marked Cyprus out as a victim of Middle East mayhem included the shooting dead in 1985 of three Israelis on a yacht in the Larnaca Marina. That prompted Israel's retaliatory raid against the Palestine Liberation Organisation headquarters in Tunis.

In February this year, three PLO officials were killed when their car exploded at Limassol, in Cyprus. This was assumed to have been work of Israel because one of those who died was thought to have had a hand in organising the Palestinian uprising in the West Bank and Gaza Strip.

Also in February, a ferry boat purchased by the PLO to sail towards Israel as a "ship of return" carrying hundreds of Palestinian deportees and journalists was holed by a limpet mine in an operation that may have been an Israeli pre-emptive strike.

Adding to the complicated equation in Cyprus, with its divided population and curious mix of foreign nationals who are not always model guests, is the presence on the island of sovereign British bases with about 4,000 servicemen and about 5,000 dependents. These bases are important to Western defence, providing Britain and the US with surveillance of the eastern Mediterranean and the Middle East. The Cypriot authorities tolerate the installations, although the Communist backers of the new president, Mr George Vassiliou, favour their eventual removal.

The authorities are aware that a higher profile for the British military, which has been the target of two Arab guerrilla attacks since 1986, would only invite trouble. Hence, local observers say, the Cypriots are reluctant to ask for Western military help (in the form, say, of a British Special Air Service contingent, or of French anti-terrorist commandos) unless there is no alternative.

The island has enough troubles on its hands without enlisting a Western power in an exercise that might end in disaster.

Direct UK involvement seen as unlikely

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

DESPITE SPECULATION that Britain might become deeply embroiled in the hijack drama – specifically through the use of Special Air Service troops to try to free the remaining hostages – the release last week of the 22 British passengers removed any justification for direct British involvement.

Mrs Margaret Thatcher's forceful declarations about the need to fight and defeat international terrorism mean that Britain will be particularly anxious to demonstrate its support for those involved in the latest crisis. The prime minister considers it essential to offer public support for countries displaying a similar determination not to give in to terrorist demands.

However, there is also considerable ministerial reluctance to participate in a way which might enhance the chances of future acts of terrorism being directed at Britain or British subjects.

Suggestions that British forces could be involved in any rescue attempt – which provoked the hijackers into warning of retaliation – arise largely from Britain's presence on Cyprus, through its sovereign RAF base at Akrotiri.

The base is divided into two sites on the island's south coast, one each side of Larnaca airport, where the hijacked aircraft is. The Foreign Office and Downing Street would not comment on suggestions that an SAS contingent was at Akrotiri, although Britain has a legal right to move troops to and from the base.

Whitehall sources last night were anxious to play down the possibility of any direct military involvement by Britain.

Cosy realm ringed by violence

Andrew Gowers looks at the threats to the closely-knit Kuwaiti society

FOR Sheikh Jaber al-Ahmad al-Sabah, the Emir of Kuwait, and for around three-quarters of a million other Kuwaitis, the past weekend must have been one of the most trying in living memory.

As the hijackers of a Kuwait Airways Boeing 747 span out their grisly masquerade on the tarmac at Larnaca airport, the citizens of the northern Gulf emirate watched helplessly in the knowledge that they are almost all somehow involved. In such a small, close-knit and family-oriented society, there can be few who do not know someone who knows or is related to someone on board the aircraft.

Three distant relatives of the Emir himself are under threat of death on the hijacked Boeing: Mr Fadhil Khaled al-Sabah and his two sisters. Members of at least one leading merchant family are also believed to be on board.

Native-born Kuwaitis are in fact a minority in their own country: out of a 1.9m population, including Arab and other foreign workers, they count for only about 40 per cent.

The al-Sabah family – now more than 1,200 strong – which has ruled Kuwait since the 18th century, has always been considered "primus inter pares" by other leading groups such as the merchants and the bedouin.

Sheikh Jaber has been careful to continue the tradition of rule by consensus and informal consultation. The middle classes – pampered to an extraordinary degree by one of the world's most generous welfare states – spend much of their considerable leisure time mingling with each other and with members of the ruling family at social gatherings.

The Emir has been a familiar figure to leading Kuwaitis since the days before their country gained full independence from Britain in 1961. He took over in 1977 after the death of Sheikh Sabah III, but had been Prime Minister since 1965 and before that was in charge of the Ministry of Finance. He is reputed to live modestly and has astonished Western visitors by donning ordinary clothes and going shopping.

Until recently, tiny Kuwait – sandwiched between three powerful and at times hostile neighbours (Iran, Iraq and Saudi Arabia) and playing host to large numbers of potentially disruptive Arab immigrants – had considerable success in fending off threats from within and without, either by deft use of its oil wealth or by adopting "correct" stands on issues of concern to Arab nationalists, principally Palestine.

Yet there is no disguising the fact that this cosy atmosphere has been severely shaken in recent years, largely as a result of the Iran-Iraq war and economic problems stemming from the 1982 Souk al-Manakh stock market collapse. The political climate has deteriorated as the Government has become more preoccupied with security since the beginning of the Gulf conflict in 1980. In July 1986, the Emir suspended the National Assembly, which had been a lively forum for debate, and imposed press censorship.

More worrying has been the evidence over the last few years of strains between Sunni Moslem and Shia Kuwaitis, again largely fomented by the 1979 Iranian revolution. Twenty per cent or more of Kuwaiti citizens are Shias, and they have become the target of appeals for support from their co-religionists in Iran. Friction between the two communities, and consequent discrimination against Shias, has been exacerbated by sabotage attempts blamed on Shias since the beginning of last year. Unlike previous terrorist outrages, such as the bombing of the US and French embassies in 1983 and the attempt on the Emir's life in 1985, which were largely the work of Iraqi dissidents, these incidents were traced to Kuwaiti Shias.

Leading Shia families moved swiftly to dissociate themselves from these expressions of dissent. The hijacking, though probably the work of Lebanese Shias, may reopen the wounds.

Deeply disturbing as the hijack drama may be to the vast majority of Kuwaitis, however, the Arab hijackers are almost certainly mistaken in believing that the al-Sabah will cave in to their demands.

Shultz may attend Afghan signings

By Stewart Fleming in Washington

MR George Shultz, the US Secretary of State, may go to Geneva on Thursday to attend the signing of accords calling for the withdrawal of Soviet forces from Afghanistan.

The White House disclosed on Saturday that it had received from Moscow a letter which appears to confirm that the Soviet Union accepts a US proposal which would allow the resumption of arms supplies to Afghanistan by one superpower in response to a similar move by the other.

Last week the US made clear that a formal response to the US proposal on arms supplies to the Moscow-backed Afghan Government and the US-backed rebels in Afghanistan was essential before Washington could agree to play a role as co-guarantor with Moscow.

Washington has welcomed the peace agreement in Afghanistan. Mr Howard Baker, the White House Chief of Staff, said on Friday that the accord "seems to be a very major achievement indeed".

But critics of the agreement fear that because it does not provide for a political settlement within Afghanistan fighting will continue between the communist Government and Afghan rebels.

Mr Shultz returned on Friday from a five-country, six-day trip to the Middle East where he has been pushing the latest US peace initiative and is scheduled to visit Moscow on April 19-26 as part of the preparations for the Moscow Summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Turkey warns Iran and Iraq over border

By Jim Bodgener in Ankara

TURKEY notified Iran and Iraq last week it would shoot down intruding military aircraft from either of the Gulf war combatants. The warning came as a delayed reaction to the bombing in March by an Iranian aircraft of Turkey's border crossing into Iraq at Habur.

The closure of Turkish airspace to military aircraft from both sides in the Gulf war, except in emergencies, was masked in Turkey by the two-day visit of Mrs Margaret Thatcher, the UK Prime Minister. It seems clear the Turkish Government wanted the dust to settle from the Habur incident before making the move. So far, there has been no reaction from either Baghdad or Tehran.

Turkey claims to be pursuing a policy of "active neutrality" in the Gulf conflict, the Turkish Foreign Ministry said yesterday.

In the recriminations following the Habur incident, Iran denied any of its aircraft were involved and claimed Iraqi aircraft were using Turkish airspace to make bombing runs into Iran.

Israeli army chief attacked by right over girl's death

BY ANDREW WHITLEY IN JERUSALEM

THE Israeli Army's Chief of Staff, Major-General Dan Shomron, was severely criticised yesterday by right-wing government ministers over the death last week of a Jewish teenage girl.

A leading right-wing parliamentarian called for his dismissal. Mrs Geula Cohen, head of the Tehiya party, accused Gen Shomron of misrepresentation of facts in saying that the Arab villagers involved in the clash with settlers had not wanted to kill the children.

The case of Tirza Porat, the first Israeli civilian fatality of the Palestinian uprising, is rapidly building up into a full-scale political row, as right-wingers allied to the settlement movement keep up the pressure for further retribution on the village of Beita.

Some settlers went further and accused the army chief of lying in a report which pinned the blame for the girl's death firmly on one of her escorts.

So far 14 houses of suspected participants in the affair have been demolished – though one was apparently blown up by accident. It has also brought to the surface simmering tensions over the military high command's handling of the unrest.

The unhappiness includes junior soldiers in the field, chafing over the restraints under which they feel they are obliged to operate.

In another instance of soldiers going on the rampage, apparently on their own initiative, the facades of about 70 buildings in the village of Beit Omar, north of Hebron, were damaged on Friday by soldiers. A foreign correspondent who visited the scene said that only a handful of windows were left unbroken.

Gen Shomron: under fire

At yesterday's cabinet meeting, ministers from Prime Minister Mr Yitzhak Shamir's Likud party criticised the Chief of Staff after Defence Minister Mr Yitzhak Rabin, a Labour member, had presented the army's report on the Beita incident.

Later, in a show of solidarity for the settlers, the Prime Minister met a group of 12 of those who had been on the fatal nature ramble last Wednesday. Their version of events sharply contradicts that of the army.

IMF to seek new lending facility to offset shocks

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE INTERNATIONAL Monetary Fund will be asking Government officials at the meeting of its Interim Committee in Washington this week to endorse moves to establish a new lending facility. This would help heavily indebted developing countries cope with external shocks to their economies, such as unexpected surges in interest rates.

Monetary sources in Washington said last week that the external contingency facility which the IMF is seeking represents one element of a broader effort by the fund to allow it to play a more effective role in helping middle-income developing countries undertake structural economic reform.

Although there is inadequate support so far for the initiative among the governments which control IMF policy, it is understood that, at high levels within the fund, there is sympathy for the idea of setting up an institutional arrangement to allow the body to play a role in facilitating the reduction of developing countries' debts. This year Mexico and one of its leading creditor banks, Morgan Guaranty Trust, arranged a debt reduction scheme with the support of the US Treasury, but it was only partially successful.

The new external contingency facility – access to which could be triggered not only by a rise in interest rates but also by a sudden decline in export markets or in tourism earnings – may well not mean that developing countries will achieve any increase in the amount of money they can borrow from the IMF.

The new entity will be attached to the existing Compensatory Financing Facility, which is available to borrowers to compensate for such things as increases in costs of cereal grain imports or shortfalls in export earnings from declines in the price of grain sales.

Even so, the new facility will broaden the range of shocks which qualify a country for access to such compensation.

However, the new entity is seen as designed in principle to help a country stay within the conditons of an existing IMF loan, so implicit in the initiative is some sharpening of IMF conditionality.

Also on the Interim Committee's agenda will be another proposal to make debt management easier for heavily indebted developing countries.

FINANCIAL TIMES

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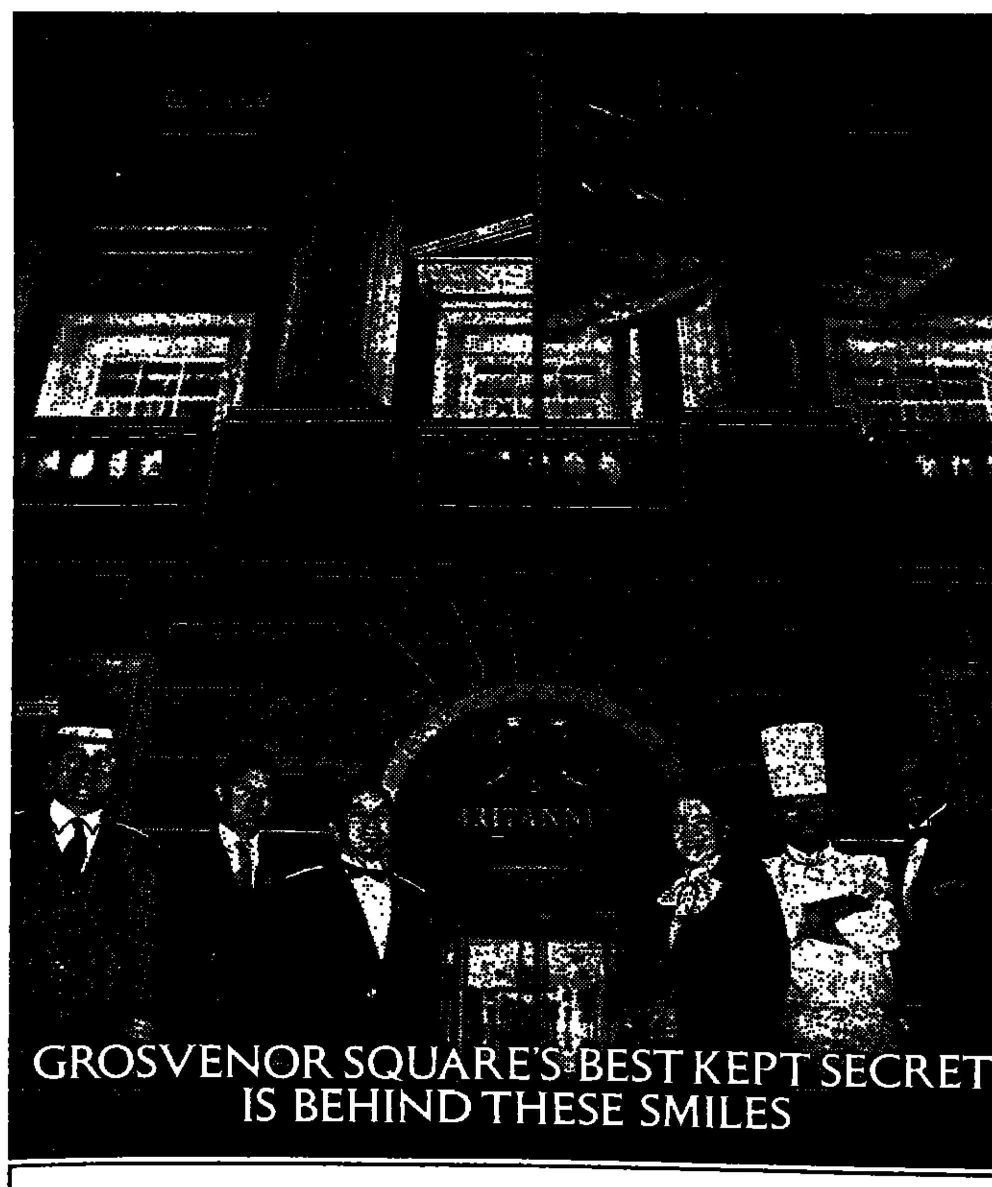

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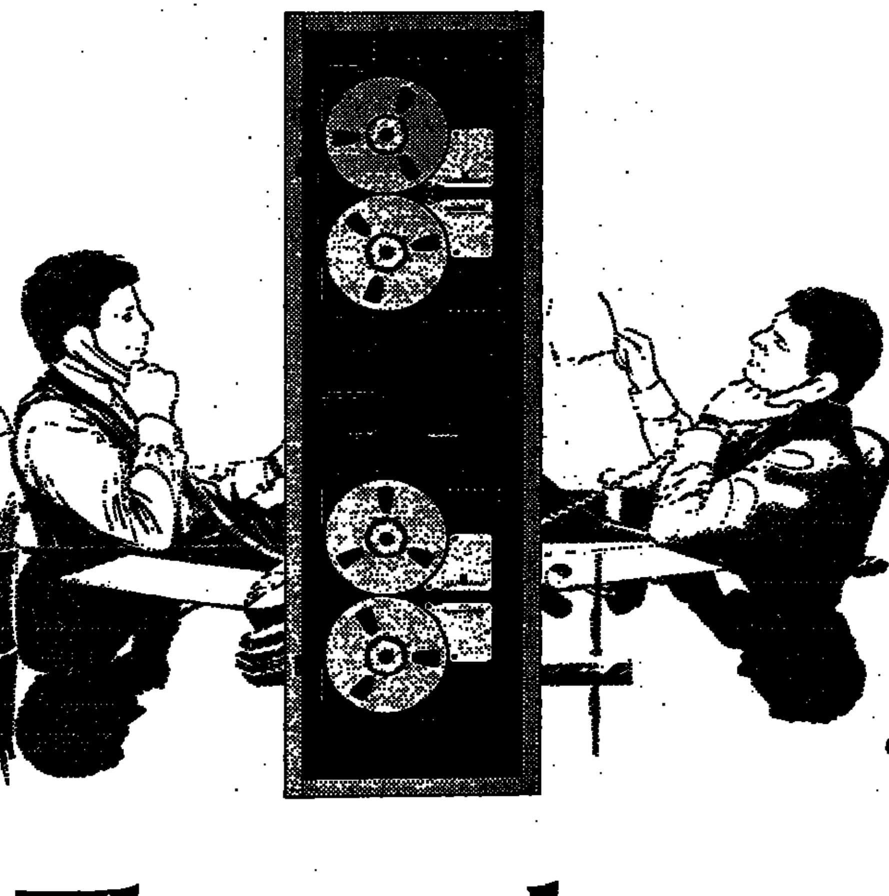

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Arrest warrant for Calvi associate

By Alan Friedman in Milan

THE long-running investigation into the 1982 crash of the late Roberto Calvi's Banco Ambrosiano spluttered into life again at the weekend with the issue of an arrest warrant for Anna Bonomi Bolchini, one of the great names of post-war Italian finance.

The 77-year-old Mrs Bonomi, known as "La Signora" during the heyday of her notoriety as an operator on the Milan bourse, is charged with fraudulent bankruptcy in the collapse of Ambrosiano. But Mrs Bonomi, who aside from Calvi also had business dealings with the notorious Michele Sindona, has managed to avoid going to prison. Because of her age she is to be allowed to report to the Milan police once a week.

The charge is of conspiring with Roberto Calvi, the Ambrosiano chairman whose corpse was found in June 1982 hanging from Blackfriars Bridge in the City of London. Mrs Bonomi is accused by the magistrates of having received $10m from Calvi, paid into her Swiss bank accounts in early 1982.

The money, it is alleged, was transferred to Lugano from Banco Ambrosiano Overseas in the Bahamas when Calvi's bank was already bankrupt. The Milan judges are said to have a copy of the telex (authorising the transfer) sent by Calvi from Milan to Monte Carlo with instructions to pass it on to Nassau in the Bahamas.

The charges against "La Signora" thus conjure up the bad old days of Italian finance. Indeed, a dossier detailing some of Mrs Bonomi's dealings with Calvi was found in 1981 by police who raided the Tuscan villa of Licio Gelli, the grandmaster of the P2 masonic lodge. The relationship with Calvi was complex and Mrs Bonomi is said to have hated the Ambrosiano chairman despite her numerous dealings with him. At one time she brought her Bulgari jewels to Calvi and pawned them for a loan of more than $1m in cash.

Until 1985 the Bonomi family's property and industrial conglomerate – BI-Invest – was run by Mrs Bonomi's son Carlo, a former offshore speedboat racer who now lives in Belgravia. In 1985 the Montedison group bought control of the company from stockmarket raiders.

French polls become victim of their own success

Paul Betts in Paris describes how voters have had their fill of 'sondomanie'

"SONDOMANIE" is fast becoming a dirty word in the French language. It refers to the explosion in France in the last few years of public opinion polls which have been multiplying like gremlins with the approach of the first round of the presidential election in two weeks' time.

"France can claim the world record for opinion polls," says Mr Michel Brule, one of the founding partners of the BVA polling company.

"But if the public seemed to have had an insatiable appetite for new polls a couple of years or so ago, polls no longer help sell newspapers or magazines these days," remarked the editor of a French weekly magazine.

Nonetheless, the statistics are staggering. The French press published more than 500 polls last year, or more than one a day. Last month, 20 political polls were published by French newspapers compared with barely seven for the same period before the 1981 presidential election in which Mr François Mitterrand defeated former President Valery Giscard d'Estaing.

The fading French passion for polls took off soon after President Mitterrand's election. The novelty of a Socialist President fuelled the polling boom in a country which until then had not been used to political alternation as in Britain. Opinion polling became big business. There are now about 40 large or medium-sized polling companies in France. The industry with an annual turnover today of more than FFr1.5bn (£142m) has been growing at a rate of 15 per cent – 20 per cent a year since 1981.

But the omnipresence of polls has started to grate not only on some candidates – the followers of presidential candidate Mr Raymond Barre have understandably become irritated because of the disappointing polls performance of the former right-wing Prime Minister – but also on the public.

Instant computer polls are even taken during major political television programmes to see whether a candidate's popularity has increased or fallen during the programme. This was the case last week for both Mr Barre and right-wing rival Mr Jacques Chirac, who appeared on separate days on L'Heure de Verité when a candidate is grilled by several journalists and his performance guaged by an instant poll. Mr Barre did rather better than Mr Chirac on the television programme, but the neo-Gaullist Prime Minister continues to outdistance Mr Barre in the latest polls at the weekend.

For his part, Mr Mitterrand, who still leads both Mr Chirac and Mr Barre in all polls, turned down an offer to appear on L'Heure de Verité last Wednesday, the day after Mr Barre and the night before Mr Chirac. It was a calculated risk because according to yet another poll published by Figaro TV magazine 78 per cent of the population think that television has a crucial influence on voters.

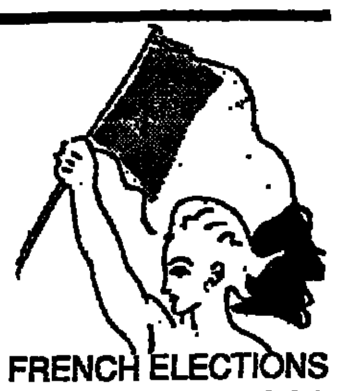
But on the night, Mr Mitterrand's appearance would have clashed with a European cup football match broadcast on a rival network involving the Olympique de Marseille, one of the country's most popular first division teams. Instead, Mr Mitterrand preferred to speak on radio for more than an hour just before the football game and save his energy for his first big public rally in Rennes last Friday which turned out to be a huge success.

Although the French are becoming jaded by the current polling mania, opinion polls continue to play a critical role. The main reason is that their track record has on average been very good. Indeed, their forecasts have been badly wrong on only two occasions in the past 10 years.

The first time was in the 1978 legislative election when the polls gave the left as the winner in error. Five years later they failed to identify the importance of the emerging extreme right-wing National Front of Mr Jean Marie Le Pen in the European elections of 1983 and underestimated the decline of the Communists.

However, the polls correctly forecast Mr Mitterrand's victory in 1981 just as they had forecast rightly that General de Gaulle would have to fight a second round in the 1965 presidential election. Although the calculations of the Interior Ministry showed the General winning a clear majority in the first round, the IFOP forecast gave him only 43 per cent forcing a second round. De Gaulle ended up winning 44 per cent.

It was an important day for French political opinion polls


FRENCH ELECTIONS

because it greatly boosted their credibility and finally placed them in the public limelight. It was also an important day for a totally different reason. Although the General won, the election marked the real start of the political career of Mr Mitterrand who managed to poll 45 per cent against de Gaulle in the second round. Judging from the latest polls, Mr Mitterrand's career prospects still look encouraging 23 years later.

EC farm policy 'undermining aid efforts'

BY DAVID BUCHAN IN BRUSSELS

THE European Community is undermining its aid programme to the Third World with an agricultural policy and subsidised exports that help depress world prices and discourage developing countries' food output, a senior Brussels Commission official has admitted.

"The conflicting goals of the Community's agricultural and development policies are facing us with more and more problems," Mr Dieter Frisch, the Commission director general in charge of development, told the concluding session of the World Food Conference on Friday. Thus overall EC agricultural reform "is imperative from the development standpoint," he stressed.

But Mr Frisch claimed EC food aid, originally seen as a dumping ground for Community farm surpluses, was now better geared to overall development policy. Continuing the US-EC argument which was a main feature of the conference convened by the European Parliament, the EC official claimed that the larger US food aid programme, "apparently geared to commercial criteria than to development policy," was more disruptive than that of Europe.

To put an end to the disruption that had seen a 60 per cent fall in cereal prices in the past two years, Mr Francois Guillaume, the French Agriculture Minister, proposed an Opec cartel-like agreement among the big five grain producers – the US, EC, Canada, Australia and Argentina – to keep prices up. The several billion dollars these producers would save each year could be spent on assisting the Third World to develop its agriculture.

In an initiative unveiled at the conference, Mr Edward Jaycox, the World Bank's Vice President for Africa, said his institution, which would be investing some $700m in African farming this year, had launched a comprehensive review of food aid policy with the World Food Programme, the United Nations body.

French cautious on opening up markets

BY IAN DAVIDSON IN PARIS

THE OPENING up of the single European Community market, scheduled for the end of 1992, needs to be matched by parallel measures towards the outside world to safeguard the interests of European businesses, according to a report to the French Foreign Ministry.

The report's author, Mr Henri Froment-Meurice, former French ambassador to Bonn, denies that his recommendations are protectionist. Nevertheless, he admits that the very idea of a single European market is widely perceived, at least in France, as a "gift" to outside competitors.

In particular, he argues that the opening up of public-sector purchasing between the 12 member states requires sectoral industrial policies so as to improve the competitive position of European companies vis-à-vis outside competitors.

He also calls for a vigorous commercial policy under the aegis of Gatt to ensure reciprocity from the Community's trading partners.

On mergers and competition policy, he says that decisive authority should be handed to the Brussels Commission. The criterion on whether a merger infringes competition should be the world market

On cars, he recommends a gradual opening up of the market, which might be delayed beyond the end-1992 target date.

On telecommunications, he warns that the opening up of the European market is likely to benefit US companies. He recommends negotiations to ensure reciprocity with the US and Japan.

Chilean debt rates reduced

By Mary Helen Spooner in Santiago

CHILE HAS reached a preliminary accord to reduce the interest rates on part of its $19bn foreign debt, saving the country $22m annually.

The agreement with the 12-member steering committee that represents Chile's commercial creditors followed three months of negotiations. It opens the way for the country to expand its debt conversion programme.

Under the new agreement, the country will be able to use part of its international reserves for debt equity swaps.

Mr Hernan Somerville, who heads Chile's debt re-negotiating team, said the reduction in interest rates from one point to 13/16 over Libor would go into effect after next year and give the country benefits similar to those of Latin America's largest debtors.

De Mita set to be named as premier

BY JOHN WYLES IN ROME

MR Ciriaco De Mita, the 60-year-old Christian Democrat leader, will be formally appointed Prime Minister of Italy this week after successfully completing negotiations on formation of the country's 48th post-war government.

He is due to have a final meeting today with leaders of the other four parties in his coalition to put the finishing touches to one of the most laboriously prepared and detailed policy programmes ever prepared in advance of a new government.

With the others lined up behind him, he will be able to tell President Francesco Cossiga tomorrow or on Wednesday that he will soon have a government to be sworn in.

The major outstanding issue to be settled is the content of legislation to regulate public and private television operations and media ownership.

Mr Bettino Craxi's Socialists have successfully espoused the cause of Mr Silvio Berlusconi to the extent that it has been agreed that he should retain his three television networks, be able to broadcast news on one of them and retain ownership of a small circulation daily newspaper, Il Giornale.

But Mr De Mita has vetoed Mr Craxi's attempt to have the statutes of Rai, the state broadcasting service, amended so that Mr Enrico Manca, the Socialist president of Rai, should have equal powers with the dominant director general, a Christian Democrat.

On concentration, it appears that the ownership limits to be set, three television networks and 20 per cent of national newspaper circulation, will permit the Fiat group, through its control of Rizzoli - Corriere della Sera, to exercise an option to acquire control of Tele Monte Carlo, which is beamed into Italy from the south of France.

Some of today's meeting will also be devoted to dividing up the 33 senior government posts between the parties. Some key jobs such as Foreign Affairs, Treasury, and Defence will be retained by their present incumbents, Mr Giulio Andreotti, Mr Giuliano Amato and Mr Valerio Zanone. Others such as the Minister of Interior may be the subject of a tug of war between the Christian Democrats and the Socialists while still more will be squabbled over by members of various Christian Democrat factions.

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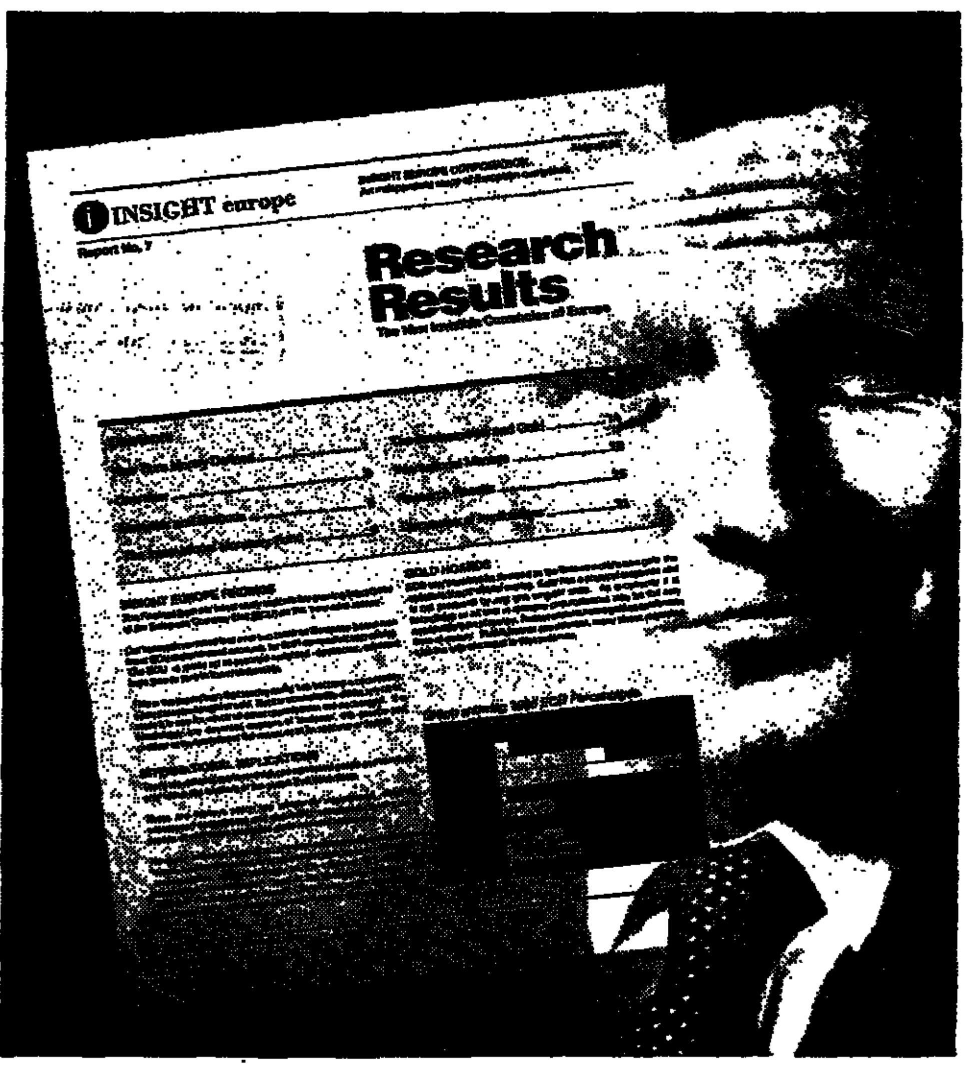

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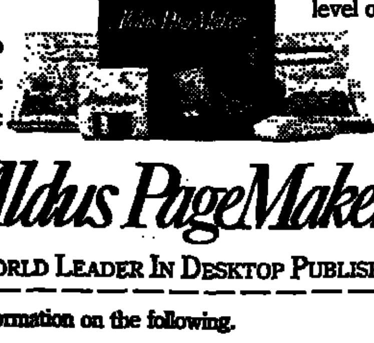

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ALDUS

Students protest in Peking square

By Robert Thompson in Peking

STUDENTS yesterday tested the depth of the Chinese Communist Party's new tolerance by staging a sit-in on Tiananmen Square in protest at education funding and Chinese intellectuals' working conditions of

The protest by 20 students and one teacher outside the Great Hall of the People, where China's National People's Congress is in session, follows the appearance of protest posters at Peking University in recent days.

Meanwhile, the displaced president, Li Xiannian, was compensated yesterday with the chairmanship of a senior advisory body, the Chinese people's political consultative conference, and Li Peng was confirmed as prime minister by NPC delegates, who also approved a proposal to reduce the number of ministries.

The brief sit-in, which was apparently broken up by plain clothes police, was in response to education reforms designed to make universities less dependent on state funds and allow teachers to supplement their incomes by second jobs. Students and teachers fear that the new policies, with a fall in government spending, will lower the status of intellectuals.

Posters protesting against the education changes have unusually stayed up for several days at Peking University.

Denmark opposition may force poll over Nato nuclear arms

BY HILARY BARNES IN COPENHAGEN

DENMARK is heading for a domestic and international showdown over the country's policy that visiting naval vessels from Nato countries must respect Denmark's non-nuclear weapons status.

Demands from a left-centre majority in the nine-party Folketing for a reformulation of the present policy may force Prime Minister Poul Schlueter, who heads a minority non-Socialist coalition, to call an election to clarify the issue.

The issue is expected to come to a head in about two weeks when rival proposals will be put to the Folketing by the Social Democrats and the Socialist People's Party which opposes Nato mebership. The Socialist People's Party want guarantees from the captain of visiting ships that there are no nuclear weapons on board.

This would be in line with New Zealand's policy, which caused the US to break off defence co-operation with New Zealand.

The US and the UK both refuse to say whether ships are carrying nuclear arms. The Social Democrats want a message delivered to each visting ship spelling out that Denmark does not permit nuclear weapons on its territory, but without a specific request for assurances from the ship's captain. Denmark's allies will regard it "as a clear breach of confidence" if Denmark adopts either of these formulations, Mr Schlueter said.

Denmark adopted a policy in the 1950s against permitting nuclear weapons on its territory in time of peace.

The official line since then has been that visting naval vessels are assumed to respect Danish policy. Mr Svend Auken, leader of the Social Democrats, says that the party's proposal merely formalises present policy and does not represent a change.

The US ambassador to Denmark, Mr Terence Toddman, has told Mr Auken that the party's proposal, if adopted, will have repercussions for US policy.

Mr Schlueter has said consistently that if the left-wing majority ever put Denmark's membership of Nato into doubt, he would call an election.

SHIPPING REPORT

Tanker market hesitant

THE WORLD tanker market was hesitant last week before the emergency meeting of Opec at the weekend, called to try to hold up the price of crude oil. So business was slack out of Middle East ports, with West Africa providing the main source of employment for large carriers, Terry Dodsworth reports.

According to Galbraith's, the London shipbroker, the market was also distorted by a large amount of private rate-fixing, with owners and charterers dealing directly rather than through intermediaries. Deals seem to have been struck at about Worldscale 35 for very large crude carriers in these transactions – somewhat below the open market rate of about Worldscale 45.

Despite the buoyancy of the Nigerian trade, rates eased somewhat for West African loadings last week, with some owners fixing forward contracts for the end of April at about Worldscale 52.5 to 55.

In the smaller, 80,000-ton category, business was more active but mainly from the Mediterranean and the North Sea. Rates of about Worldscale 80 were being quoted for shipment from the Mediterranean to the US Gulf, and similar prices were being charged from North Africa to Europe.

In the spot market, Galbraith's reports that conditions are depressed.

WORLD ECONOMIC INDICATORS

INDUSTRIAL PRODUCTION (1980 = 100)

					% change over previous year
	Feb.'88	Jan.'88	Dec.'87	Feb.'87	
Japan	138.2	135.1	134.3	122.8	+12.5
US	123.7	123.6	123.2	117.0	+5.7
	Jan.'88	Dec.'87	Nov.'87	Jan.'87	
France	106.0	106.0	105.0	100.0	+6.0
UK	114.8	115.5	114.8	109.9	+4.5
W. Germany	108.7	106.6	106.1	101.2	+7.4
	Dec.'87	Nov.'87	Oct.'87	Dec.'86	
Italy	101.5	103.1	104.6	99.5	+2.0
Netherlands	107.0	108.3	107.7	105.9	+1.0

Source: (except US) Eurostat

Nancy Dunne examines the economics and politics of the US Trade Bill

Mass of compromises nears Reagan's desk

WITH MUCH huffing and puffing, 199 negotiators on a House-Senate Conference committee have propelled the unwieldy mass which comprises the 1988 US Trade Bill close to passage by Congress.

This week, they return from the Easter recess to tie up the loose ends. Having done so, the questions will be: Will the president sign the Bill? If not, can Congress override his veto?

The administration still sees several provisions which could provoke a veto. These are sanctions against Toshiba Corporation of Japan and Kongsberg Vaapenfabrikk of Norway; a requirement that large employers give 60 days notice before plant closures; the Bryant amendment requiring greater disclosure by certain foreign investors of their assets in the US; severe penalties against companies which violate US export controls; and the transfer of presidential authority over unfair trade complaints to his trade representative.

Congressional staff members are now turning the committee's hasty pre-Easter compromises into legislative language in a report due next Monday. Meanwhile, congressional leaders may take up the most controversial issues in private and then ask the relevant sub-committees in House-Senate conference to dilute or omit those which could provoke a veto.

The three-year sanctions against Toshiba, for example, may be eased but they are likely to appear in the final version. However, the plant closures amendment, vociferously opposed by business interests, could be deleted.

Conferees are now in "technical disagreement" on the Bryant amendment, which means that it will be removed unless acompromise is reached. The foreign disclosure requirements were overwhelmingly rejected by the Senate so the conferees are likely to decide it is not worth risking a veto.

Once the conference report is complete, House conferees will be asked to sign the sections they worked on. The procedure is different in the Senate, where the 33 conference members will vote on the entire bill. They may then reopen discussion on more controversial measures with the House.

Senator Robert Packwood of Oregon has estimated that it may be six weeks before the entire package reaches the president's desk.

The administration, led by Mr James Baker, the Treasury secretary, has played its hand with considerable finesse so far, alternating between praise and threats at crucial moments during the negotiations. It has succeeded in removing much of the congressional protectionism, particularly the special interest measures buried among the dumping and countervailing duty sections.

The ominous Gephardt provision, which could have forced retaliation against countries with large trade surpluses indulging in unfair trade practices, has been killed.

Many of the objectionable provisions – such as one calling for the creation of a Third World debt facility – have been softened to require studies on the issues. However, if a Democrat were elected president in November, these might lead to tangible results.

"Super 301," also called "son of Gephardt" since it has superseded Congressman Richard Gephardt's provision, requires the trade representative to identify trade barriers abroad, to estimate their damage to the US and to seek their removal within three years. However, retaliation can be waived by the president.

Congress had hoped that the Bill would force US presidents to produce more coherent and consistent trade policies, and to give trade interests a greater weight in major economic, military and diplomatic decisions. The current product, however, is so riddled with exemptions and waivers that the president would keep virtually a free hand to conduct trade policy.

In Section 201 cases, for example, concerning industries asking for import relief, the petitioners are required to demonstrate that they can recover and become competitive if given short-term remedies. The president is then told to provide help from various options, including tariffs, quotas, tax concessions, an economic development grant to the community, or suspension of US regulations or anti-trust law. Even then, the president can produce a waiver if he determines that a grant of relief would be contrary to the national economic interest.

Section 301, under which complaints on unfair trade practices would be considered, is more complex. The president's authority would be nominally transferred to his trade representative. Trade retaliation would be required if a country were found to have violated a trade agreement, but sanctions would not be necessary if they would result in drawbacks "substantially out of proportion" to the benefits.

Actions such as export targeting (in which a foreign government acts to enhance exports of a specific industry) and violation of worker rights have been added to the list of unfair trade practices in the Section which can invite sanctions. However, the administration would not have to act unless it had "a reasonable" indication that such punishment would mitigate the offending practice.

Some of the passion surrounding the Trade Bill seems to have subsided, but the trade issue is by no means dead. In USregions where jobs have been lost because of competition from imports, Democrats in Congressional electoral races will be able to claim they have given the US "a tough new direction on trade", or to attack Republicans for having prevented that.

Republicans, on the other hand, would like to produce a bipartisan Bill which appears to be free of protectionist contamination.

THE BILL'S MAIN PROVISIONS SO FAR

TOSHIBA AND KONGSBERG VAAPENFABRIKK SANCTIONS: Ban on sales of Toshiba Machine and Kongsberg products in the US for three years, in retaliation for sales of advanced submarine equipment to the Soviet Union. Toshiba Corporation would not be able to sell to the US government for three years.

EXPORT CONTROLS: Severe sanctions, lasting from two to five years, on US violators. Parent companies exempt if unaware of sales. Most controls on products with technologies of medium sophistication, shipped to members of the Coordinating Committee for Multilateral Export Controls, are dropped.

FOREIGN INVESTMENT: New powers to the president to block takeovers or mergers by foreign companies in the US. This may yet include Bryant amendment, which would require foreign companies to register with government if their US holding reaches 5 per cent, but Congressman John Bryant has offered to withdraw the amendment in favour of a study of the issue.

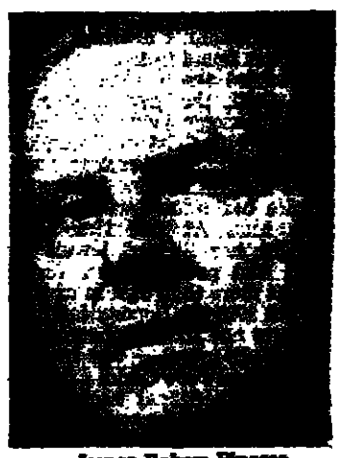
FOREIGN SECURITIES FIRMS: Ban on foreign concerns operating as primary dealers in US government bonds, unless their countries grant equal access at home within one year.

PLANT CLOSURES: Large companies to give their employees 60 days notice of a plant closure or relocation.

GATT NEGOTIATING AUTHORITY: Granted for current Uruguay round. President given authority until May 31, 1991, to reduce US tariffs by up to 50 per cent. Final package would receive "fast-track" consideration in Congress – no amendments allowed.

FOREIGN CORRUPT PRACTICES: US executives liable for bribes paid to foreign officials only if they knew about the bribe, rather than had reason to know. Specifies payments companies can make legally to prod foreign governments into routine action.

Explosive potential in small print


James Baker: Finesse

BURIED IN the huge Trade Bill are dozens of provisions with explosive potential.

For example, the Renewable Fuels Association is already up in arms about a measure which might result in the transformation of some of the European Community's "wine lake" into fuel ethanol. Under the Caribbean Basin Initiative, the Trade Bill would allow five Caribbean companies to export to the US 200m gallons of fuel-grade ethanol duty-free over two years. Since the measure carries no domestic content provision, the companies are expected to use cheap European wine and simply remove excess water.

This procedure would provide no more than 400 new jobs, the association complains, instead of permitting the Caribbean to develop an independent large-scale ethanol production capacity, using its own surplus sugar cane.

Also causing irritation to the Office of the US Trade Representative is a provision to create a Council on Competitiveness. It would be composed of representatives from business and labour, appointed by the president and Congress. Its functions are by no means clear but it is thought it would carry out industrial policy planning. The administration would oppose that.

Even more galling was the Council's original budget – \$15m a year, the amount allocated for the Trade Representative's office. That figure has since been reduced to \$5m a year.

Another possibly troublesome measure would give the Federal Maritime Commission new powers to investigate foreign maritime practices alleged to be unfair. The commission would be given discretionary authority to retaliate if it finds that the unfair practices are adversely affecting US oceanic carriers. It could limit the sailings of a country's ships to US ports and impose fees of up to \$1m on each voyage to the US.

Other provisions would let a company extend a patent for a drug to reduce heart attacks. Another would grant trade adjustment assistance to oil drilling and exploration workers, and to those in "secondary" industries adversely by imports, motor vehicle parts, for instance.

AV should be more than faithful sight and sound reproduction. Ideally, it also creates drama and ambience.

Hitachi's wide-ranging audiovisual technologies include Picture-in-Picture for simultaneous viewing of more than one programme on a single TV screen, DAT, a high-density projection display, and frame memory used in IDTV.

Digital technology (the conversion of conventional signals into computerized zeros and ones) has led to a remarkable proliferation of audiovisual uses – in TV, for example, for more diversified and sophisticated programming and information services accessible through computer connections or videotex terminals. And this is only the beginning.

Hitachi's scientists and engineers are using digital applications such as frame memory to develop Improved Definition TV. IDTV will greatly improve picture quality without changing current broadcasting standards by doubling the density of scanning lines and increasing vertical resolution 1.5 times. This same Hitachi technology has resulted in the Digital Audio Tape recorder, which is capable of superior recording and reproduction.

Hitachi's original screen technology has led to high-density big screen projection TV, using screens up to 110 inches. It is contributing to a wholly new technology, High Definition TV. HDTV is capable of photographic quality resolution and will soon enable satellite services to transmit wide screen images that give the viewers the feeling of actually being there.

We link technology to human needs, and believe that our special knowledge will lead to numerous easy-to-use systems and products with highly advanced functions. Our goal in audiovisual – and in medicine, energy and transportation as well – is to create and put into practice products and systems that will improve the quality of life the world around.

HITACHI

Hitachi, Ltd. Tokyo, Japan

DIARY DATES

Trade Fairs and Exhibitions: UK

April 11-15
International Fire & Safety Exhibition and Conference – IFSEC (01-446 8211)
Olympia

April 13-15
London Secretary Show (01-727 1929)
Business Design Centre, London

April 17-18
Northern Retail Chemists' Exhibition - NORCHEM (01-262 2886)
G-Mex Centre, Manchester

April 18-21
International Fluid Power Exhibition – IFPEX (0895 58431)
NEC, Birmingham

April 19-21
International Tunnelling Exhibition - TUNNELLING (07072 23176)
Novotel, London

April 24-26
Top Drawer Summer Gift Exhibition (01-727 1929)
Kensington Exhibition Centre, London W8

April 24-28
London International Furniture Show – LIFS (01- 385 1200)
Earls Court

April 26-28
British Electronics Week (0799 26699)
Olympia

April 27-28
National Pig Fair (0473 43011)
Kenilworth

April 30- May 2
Photography Exhibition (01-222 8866)
NEC, Birmingham

May 8-10
British Craft Trade Fair (0282 867153)
Harrogate

May 10-12
International Chilled Food Fair (01-727 1929)
NEC, Birmingham

Overseas Exhibitions

April 16-21
International Consumer Goods Fair (021- 455 9600)
Brno

April 16-24
International Trade Fair (01- 637 3153)
Milan

April 19-21
International Trade Fair for Clothing Textiles – INTERSTOFF (01- 734 0543)
Frankfurt

April 26- May 2
International Machine Tool Show (01-439 0501) – SIMTOS
Seoul

May 3-6
International Vehicle Industry Suppliers Exhibition – SITEV
Geneva

May 6-12
International Construction & Material Exhibition - CONSTRUCT (01- 236 2399)
Shanghai

May 18-26
International Spring Fair (Technical) - BNV (021- 454 3385)
Budapest

Business and Management Conferences

April 13
The Chartered Institute of Management Accountants: UK tax briefing - your company pays tax - what do you know about it?
Kensington Palace Hotel, London W2

April 14-15
IRRG: Reinsurance market (01- 236 2175)
The Brewery, London EC2

April 18
Public Issue Conferences: Electricity privatisation (0932 246496)
The Brewery, London EC2

April 18-19
Financial Times Conferences: The challenge to recovery and growth (01-925 2323)
Hotel Inter-Continental, London W1

April 19
DC Gardner & Co: Indexation and passive management (01-283 7962)
London

April 19-21
The Institute of Manpower Studies: Career management systems (0273 686751)
Brighton

April 20
CBI Conferences: Pipe-line management- a way of unifying company operations (01-379 7400)
Centre Point, London WC2

April 21
World Energy Business: International oil & gas forum and workshop (01-629 7611)
Royal Garden Hotel, London W8

April 25-26
Business Research International: Mortgage finance in the 1990's (01-637 4383)
Portman Hotel, London W1

April 26
CBI Conferences: Strategy for design (01-379 7400)
Centre Point, London

April 26-28
The Industrial Society: Industrial relations for senior managers (01-839 4300)
3 Carlton House Terrace, London SW3

April 26
Dun & Bradstreet: Understanding insolvency (01-631 3434)
Kingsley Hotel, London WC1

April 29
CBI Conferences/ The Economist: Europe Sans Frontières (01-379 7400)
Centre Point, London WC1

April 29
The Economist/CBI Conferences: 1992: The new Europe – getting to grips with the competition (01-839 7000)
Centre Point, London WC1

May 4-5
The Royal Institute of International Affairs (Chatham House): International capital flows and the future of financial markets (01-930 2233)
10 St James's Square, London SW1

May 5-6
Online Conferences: Dealing room – *getting value for money* (01-741 7477)
The Barbican Centre, London

May 9-10
Financial Times Conferences: Business with Spain (01- 925 2323)
Madrid

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

FINANCIAL

Today
BOARD MEETINGS–
Finals:
Accord Publications
British Island Airways
Cannon Street Invs
Comac
Dewhirst (I.J.)
Executex Clothes
Fortnum & Mason
Folkes Group
Hewden-Stuart Plant
ISA International
North British Canadian Inv
Scottish TV
Sharp & Law
Theme Holdings
Wace Group
Interims:
Highland Distilleries
Ossory Estates
Wardle Storeys
DIVIDEND AND INTEREST PAYMENTS–
Acatos & Hutcheson 5.5p
Amstrad 0.4p
Assoc. Fisheries 4p
Berisford (S. & W.) 10p
Central American Bank for Econ Integn Flg Rate Nts 1994 $247.18
Conversion 10pc 2002 5pc
Crescent Japan Inv Tst 0.4p
Development Bank of the Philippines Gtd Flg Rate Nts 1990 $231.25
Edinburgh Financial Tst 0.25p
First Leisure Corp 6.375p
Grand Metropolitan 7.5p
Heath (Samuel) 1p
High-Point Services 2p
Hongkong & Shanghai Banking Corp Prim Cap Und FRN 3rd Ser $94.79
Independent Newspapers 9p
Islington Corp 12.65pc Red 2007 6.325pc
Investments NV Gtd FRN "B" 1987 extendable to 1990 $19.27
Marine Midland Fin NV Gtd Flg Rate Subord Nts 1994 $191.16
National Australia Bank Und Sub Flg Rate Nts $457.35
Ruo Estates 4p
St Andrew Tst 2.7p
Wholesale Fittings 2.69p
Tomorrow
COMPANY MEETINGS–
Arncliffe Holdings, Devonshire Hall, Devonshire Avenue, Street Lane, Leeds, 5.00
F & C Enterprise Trust, 1 Laurence Pountney Hill, E.C., 12.15
Kleinwort Overseas Investment Trust, 10 Fenchurch Street, E.C., 2.30
Persimmon, Savoy Hotel, Strand, W., 12.00
Shoreiplan, Ironmonger's Hall, Aldersgate Street, E.C., 12.00
BOARD MEETINGS–
Finals:
Atlantic Computers
Baillie Gifford Technology
Blockleys
British Fittings
Olives Paper Mill
Proudfoot (Alexander)
Rural Planning Services
Savoy Hotel
Sovereign Oil & Gas
Telephone Rentals
Ward White
Willaire Systems
Interims:
Dowding & Mills
GR Holdings
DIVIDEND AND INTEREST PAYMENTS–
Fil-Fyffes 0.684p
Ireland 12½pc Ln 2008 6.25pc
Isle of Man Enterprises 6.6p
Kuala Lumpur Kepong Berhad M$0.10
Questel 3p
Space Planning Services 0.75p
Warnford Invs 8p
West Hampshire Water Co "B" (4.9pc Max Fmly 7pc) 24.5p
Do. 3.5pc (Fmly 5pc) 1.75p
Wednesday April 13
COMPANY MEETINGS–
Foreign & Colonial Investment Trust, 1 Laurence Pountney Hill, E.C., 12.00
Heywood Williams, Ladbroke Mercury Hotel, Ainley Top, Huddersfield, West Yorkshire, 11.45
Miss World, Hilton Hotel, Park Lane, W., 12.00
Sale Tilney, 28 Queen Anne's Gate, S.W., 12.00
Spong Holdings, 28 Copthall Avenue, E.C., 11.00
BOARD MEETINGS–
Finals:
APV Holdings
Barratts
Hall (Matthew)
Hogg Robinson & Gardner Mountain
Hornby
Julianas's Holdings
Newarthill
RMC Group
RTZ Corp
Reginald's
SPP
Tesco
Tudor
Interims:
New Central Witwatersrand
Portland Holdings
Smiths Industries
Tribble Harris
DIVIDEND AND INTEREST PAYMENTS–
Adscene 1.6p
Arncliffe 2p
Brick 2.6p
F & C Enterprise Tst 0.13p
Hobsons Publishing 6.72p
Leeds Permanent Building Society New Flg Rate Nts 1994 £36.23
Do. Flg Rate Nts 1994 £113.44
Motorola Inc 16cts
PLM "A" SK5.6
Do. "B" SK5.6
Rank Organisation 6pc Uns Ln 1983-88 3pc
Stakis 1.14p
Treasury 8pc Ln 1992 4pc
Do. 9pc Ln 2008 4.5pc
Do. 9pc Ln 2008 "A" [illegible]
Thursday April 14
COMPANY MEETINGS–
Anglo & Overseas Trust, 46 New Broad Street, E.C., 2.45
Ansbacher (Henry), Trinity House, Coopers Row, E.C., 11.45
Blagden Industries, Saddlers Hall, Gutter Lane, Cheapside, E.C., 11.30
Cooper (Alan), Burnley Road, Todmorden, Lancashire, 12.30
Dares Estates, Hotel Inter-continental, 1 Hamilton Place, W., 12.00
Federated Housing, Painters' Hall, 9 Little Trinity Lane, E.C., 12.00
Law Debenture, Princes House, 95 Gresham Street, E.C., 10.30
Leslie Wise, Grand Hotel, Granby Street, Leicester, 11.45
Provident Financial, Norfolk Gardens Hotel, Hall Ings, Bradford, West Yorkshire, 12.00
Sedgwick, Sedgwick House, Sedgwick Centre, E.C., 12.00
Wyevale Garden Centres, Hereford Moathouse, Belmont Road, Hereford, 10.30
BOARD MEETINGS–
Finals:
AMI Healthcare
Alpine Soft Drinks
Avis Europe
Ayrshire Metal Products
Barr & Wallace (Arnold) Trust
Billam (J.)
Britannia Group
Bridon Dredging
Capital & Regional Props
Connells Estate Agents
Cory (Horace)
Davis (Godfrey)
Eagle Trust
Evered
F & C Pacific Inv Tst
Fitch & Co Design Consultants
Great Southern Group
Lawrence (Walter)
McKechnie
New London Props
Thurgar Bardex
Interims:
Fleming Japanese Inv Tst
DIVIDEND AND INTEREST PAYMENTS–
Australia 9½pc Ln 2012 4.75pc
B.B.L. International NV Gtd Flg Rate Nts 1999 $176.33
Cantors 0.75p
Do. "A" Non-Vtg 0.75p
Foreign & Col Inv Tst 7pc Uns Ln 1988-93 3½pc
General Mining Union Corp 160cts
Do. 8.5pc Var Comp Cnv Cum Prf 135.25cts
Do. 12.5pc Uns Subord Comp Cnv Debs 103.75cts
Heywood Williams 6p
Leslie Wise 1.5p
Pacific Sales Org 1p
RBC International Capital Fund 4cts
Sheldon Jones 1.35p
Friday April 15
COMPANY MEETINGS–
Alliance Trust, Stakis Earl Grey Hotel, Earl Grey Place, Dundee, 3.00
Bank Leumi (UK), 4-7 Woodstock Street, W., 2.00
Trencherwood, Ramada Hotel, Oxford Road, Reading, Berkshire, 12.00
Wares City of London Properties, Brewers' Hall, Aldermanbury Square, E.C., 12.00
BOARD MEETINGS–
Finals:
Blue Circle Inds
Dinkie Heel
Tharsis
Interims:
Chrysalis
DIVIDEND AND INTEREST PAYMENTS–
Abbey National Building Society Flg Rate Nts 2000 £225.32
Alexander & Alexander 11pc Cnv Subord Debs 2007 5.5pc
Alumasc 2.65p
American Brands 12½pc Uns Ln 2009 6.25pc
Ansbacher (Henry) 2p
BCE Inc 81cts
Baldwin 1p
Bank of New York Overseas Finance NV Gtd Flg Rate Subord Nts Jan 1996 $188
Bellwinch 1.1p
Chrysler Corp 25cts
Citicorp Overseas Finance Corp NV Gtd Flg Rate Nts 1992 $183.26
Comms of the State Bank of Victoria Gtd Und Cap Nts $400.69
Crest Nicholson 3.7p
Dockus 0.25p
Eldridge, Pope & Co 6¾pc Irrd Uns Ln 3⅜pc
Do. 7½pc Irrd Uns Ln 3¾pc
Federated Housing 9½pc Cum Red Prf 4.75pc
Finland 11½pc Ln 2009 5.75pc
Goode Durrant 3.5pc Cum Prf 0.875p
Govett Strategic Inv Tst 9⅞ Deb 2017 4[illegible]pc
Hamilton Oil 25cts
Hard Rock Intl Class A (Rest-Vtg) 0.76p
Investors in Industry Flg Rate Nts 1994 £113.44
Kingsley & Forrester 1p
Kleinwort Development Fund 2p
Lex Service 7.2p
Malaysia Flg Rate Nts 2015 $392.33
Manders (Hldgs) 5pc Cum Prf 1.75p
Merton (London Borough of) 11¼pc Red 2017 5.625pc
Metal Bulletin 3.15p
Metropolitan Water Southwark & Vauxhall Water Co 3pc Deb 1.5pc
Norcros 15¾pc Deb 1990-95 7.875pc
Occidental Petroleum 62.5cts
Pacific Gas & Electric 48cts
Peachey Property 9.5pc 1st Mtg Deb 2015 4.75pc
Do. 10.75pc 1st Mtg Deb 2013 5.375pc
Quaker Oats 25cts
Rexmore 13pc (Net) Cnv Cum Red Prf (91/92) 6.5pc
Richards 4pc Cum Pfd 1.4p
Do. 5½pc Cum Pfd 1.4437p
Royal Trust Govt Secs Fund Ptg Red Prf 2.8p
Scandinavian Finance BV Flg Rate Serial Nts April 1993 $470.21
Treasury 5pc 1986-89 2.5pc
Do. 10pc Ln 1993 5pc
Warner Estate 10¾pc Cum Prf 5.375pc

PARLIAMENTARY

TODAY
Lords: Landlord and Tenant Bill, committee. Regional Development Grants (Termination) Bill. Housing (Scotland) Bill, second reading.

TOMORROW
Commons: Social services questions. School Boards (Scotland) Bill, second reading. Church Commissioners' Assistance (for Priority Areas) measure

Adjournment debate: The Green Belt in Dearsden and Milngavie.

Lords: Immigration Bill, report. Amending regulations on compensation for mineral workings. Criminal Injuries (Compensation) (Northern Ireland) Order. Miners' Contracts (Northern Ireland) Order.

WEDNESDAY
Commons: Trade and Industry questions. Health and Medicines Bill, remaining stages. Local Government (Prescribed Expenditure) (Amendment) regulations. Adjournment debate: maintenance grants for elderly people discharged from NHS hospitals into private care.

Lords: Short debates on management of local authority property, forestry, and lorry and coach bunching on motorways.

THURSDAY
Commons: Treasury questions. Health and Medicines Bill, completion of remaining stages. Adjournment debate: The NHS in Bradford.

Lords: Foreign Marriage (Amendment) Bill, third reading. Licensing Bill, third reading. Public Utilities. Transfers and Water Charges Bill, report. Order giving amenity for inspections under the INF Treaty.

FRIDAY
Commons: Private members' bills including Scotch Whisky Bill, Consumer Arbitration Agreements Bill, and Companies' Political Donations Bill. Adjournment debate: the abduction of British citizens to Sri Lanka - the case of the children of Mrs Manchanayake.

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State Bank of India

State Bank of India announces
that its base rate
is reduced from
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with effect from
April 8, 1988

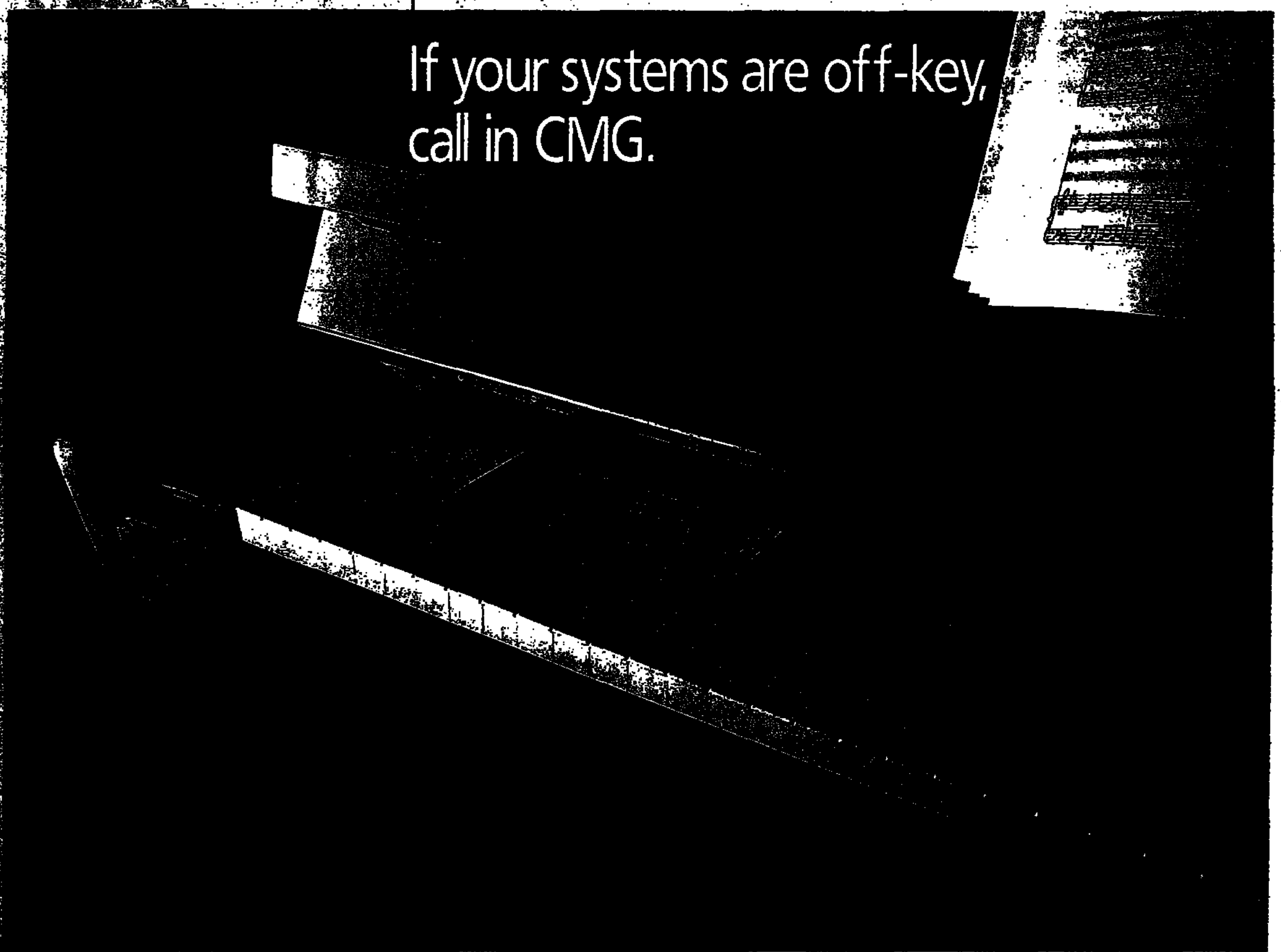
EUROPEAN SMALLER COMPANIES FUND
SICAV
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 20.093

Notice of Meeting

Messrs Shareholders are hereby convened to attend the Annual General Meeting which will be held on April 26th, 1988 at 3.00 p.m. at the offices of Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, Luxembourg, with the following agenda:

Agenda
1. Submission of the reports of the Board of Directors and of the Statutory Auditor.
2. Approval of the balance sheet and of the profit and loss statement as of December 31st, 1987 and allocation of results.
3. Discharge to the Directors and the Statutory Auditor in respect of the carrying out of their duties during the fiscal year ended December 31st, 1987.
4. Receipt of and action on nomination for election of the Statutory Auditor for a new statutory term.
5. Miscellaneous.

The Board of Directors



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CMG – Computer Management Group – is Europe's largest independent provider of Management Consultancy, I.T. Consultancy and Business Systems.

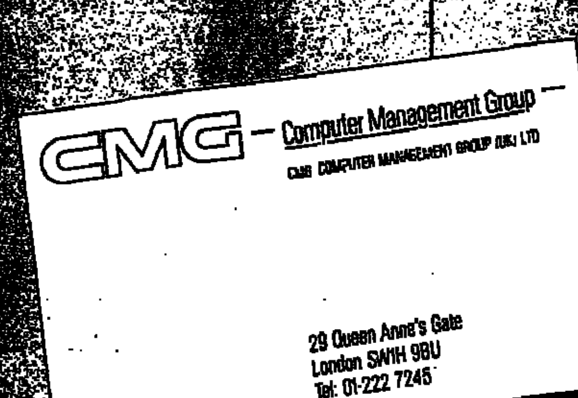
We have the experience, the expertise and the commitment to help you to achieve success.

Established nearly a quarter of a century ago, we have expanded rapidly to become one of the leading companies in our field. Our client list includes governments, public utilities, banks, financial institutions and a large proportion of Europe's top-hundred companies.

We have achieved all this through the commitment of our staff. All our shares are held by employees and their close families, and most employees are shareholders.

This provides powerful incentives, which work to our clients' singular advantage.

So when you need help with your systems, call in CMG.



CMG. We make sure systems really work.

If You've Been Looking For The Latest In High Technology Products, Now You Know Where To Find Them.

IFSEC '88
Booth 24-25
Olympia Hall
London
April 11-15

In keeping with the trade show, we'd like to offer you a trade.

Give us a few minutes at Booth 24-25 and we'll give you three things.

A close look at the products from the state *that has* become synonymous with high technology. Telecommunications products. Medical equipment. Computers. And construction products.

A chance to meet the people behind the products.

And an opportunity to meet our International Trade experts. And they'll be glad to provide you with something just as valuable as our products–advice on how to do business here in New Jersey.

Or, you can contact us directly in the U.S. Just write Mrs. Ming Hsu, Director, New Jersey Division of International Trade, 744 Broad Street, Newark, New Jersey, 07102. Or call (201) 648-3518, TELEX-178089 NJDIT.

New Jersey And You, Perfect Together.

Thomas H. Kean, Governor   Borden R. Putnam, Commissioner, Department of Commerce, Energy & Economic Development
Mrs. Ming Hsu, Director, Division of International Trade

APPOINTMENTS

Co-operative Wholesale Society chief

The CO-OPERATIVE WHOLESALE SOCIETY has appointed Mr Paul Mitchell as general manager (designate) of its optical group. He will succeed Mr Alan Doherty who retires on September 3. Mr Mitchell, currently manager of the 50 Co-op eye care optical practices, will take charge of the group's sales operation, which includes 50 New Sphere practices, run as partnerships, and a Manchester optical prescription works, as well as the eye care practice network.

★

Mr Robin Baillie has been named chairman of BURSON-MARSTELLER's UK operations and Mr Larry Snoddon will assume the duties of managing director of Burson-Marsteller/London. Mr Terence Fane Saunders has resigned to create a new public relations agency.

★

Mrs Pam Duffill, Miss Anita Elderkin and Mr David Jarman have all joined the board of LEWIS DESIGN WORKSHOPS, a Palma Group company.

★

Mr John J. Ormston has joined MARKHAM AND CO as managing director. He was managing director of Babcock Jenkins, part of the FKI Babcock Group.

★

BUTTE MINING has appointed Mr Alan Richardson its group chief executive. He will also become chief executive officer and president of Butte's US operating subsidiary, New Butte Mining Inc.

★

Mr Ken Smith, group financial controller, has been appointed company secretary of ALPHAMERIC. He succeeds Mr Roger Hatfield who has been promoted to finance director.

★

Ms Brenda Simonetti has been made managing director of MEGAPRINT (UK). She was director of marketing services at Clarke Hooper.

★

Mr J.E. Head, chairman of BRAMMER, will retire at the annual meeting on June 1. Mr H.J. Foulds, deputy chairman of the 3i Group, will succeed him as chairman. Mr B.G. Allison, a director of NYNEX Information Solutions Group Inc and English China Clay, has been appointed a non-executive director. Mr J.A. Croft and Mr W.D.H. Gregson, who served as non-executive directors, will also retire at the annual meeting.

★

Mr Roger Sharratt has been appointed a director of BARRY D. TRENTHAM (MIDLANDS).

★

STAG FURNITURE has made the following board appointments; Mr Nicholas Radford, managing director of Stag's subsidiary Jaycee Furniture (Brighton); Mr Roger Blaney, sales and marketing director at Stag Meredew, and Mr George Ellis, Stag Meredew's technical director responsible for all manufacturing at the company's Nottingham factories.

★

Ms Kazia Kantor has been appointed to the board of DAVIDSON PEARCE as group finance director. She joins from HMV Group where she has been finance director from March 1987.

★

NOMURA RESEARCH INSTITUTE EUROPE has appointed the following directors. Mr Kevin Diamond (associate managing director), Mr Tony White, Mr Kozo Yamazoe, Mr Arnab Banerji, Mr John Lawson and Mr Ron Littleboy.

★

Two directors have been appointed to the board at APPLEYARD GROUP: Mr Stephen Williams, who remains responsible for the passenger car operations in Yorkshire, and Mr Michael Noel, who will be responsible for the group's Ford passenger car, light commercial and Iveco Ford activities in the Midlands and South. He joins from Lex Service where he was managing director of Transfleet Services, a company jointly owned by Lex Service and Lombard North Central. Mr Robert Maxwell has become the senior executive responsible for all car operations in Scotland. Mr Robert Borradaile, a group director since 1979 and responsible for all Ford operations, has retired from the board. He remains with the group responsible for the development of various property matters in the south of England. Mr David McLintock, a group director and the executive previously responsible for the Scottish car operations, has also retired from the board. He remains with the group responsible for various property matters in Scotland.

★

Mr Denzil Lee has been promoted to managing director of WILKINSON SWORD shaving division. He was previously a director and general manager.

GRANVILLE

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6582	Ass. Brit. Ind. Ord	195xd	0	8.9	4.6	7.3
-	Ass. Brit. Ind. CULS	196xd	0	10.0	5.1	-
775	Armitage and Rhodes	31	+2			
4140	BBB Design Group (USM)	50	-3	2.1	4.1	8.8
105062	Bardon Group	161	+3	2.7	1.7	27.5
7925	Bray Technologies	137	-1	4.7	3.4	11.0
903	CCL Group Ordinary	258	-2	11.5	4.5	6.6
1625	CCL Group 11% Conv Pref	138	0	15.7	12.1	-
16559	Carborundum Ord	130	0	5.4	4.2	11.3
721	Carborundum 7.5% Pref	103	+1	10.3	10.0	-
3967	George Blair	215	+1	3.7	1.7	6.5
5576	Isis Group	70	+3	-	-	-
9061	Jackson Group	87	-2	3.4	3.9	9.6
25732	Multihouse N.V. (AmstSE)	330	0	10.4	3.2	13.1
428	Robert Jenkins	42	+1	-	-	1.9
5580	Scruttons	124xm	0	5.5	4.4	31.8
5625	Torday & Carlisle	198	0	6.6	3.3	9.6
2797	Trevian Holdings (USM)	65	0	2.7	4.2	7.0
6325	W. S. Yeates	271	+3	16.6	6.1	52.1

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Small Business

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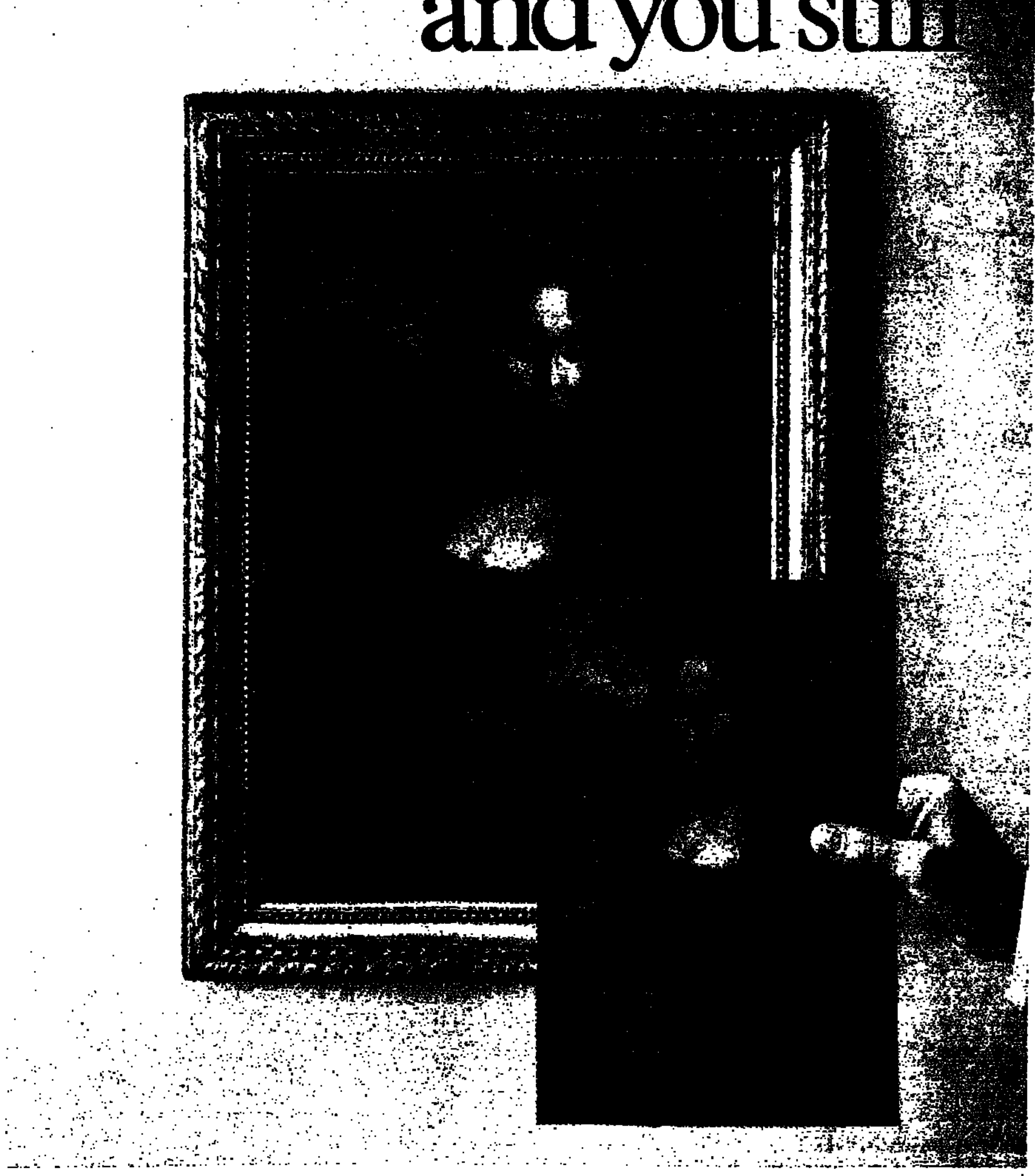

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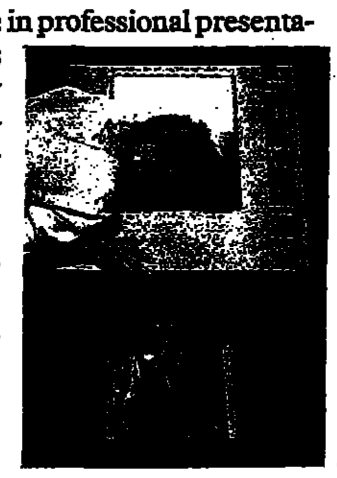

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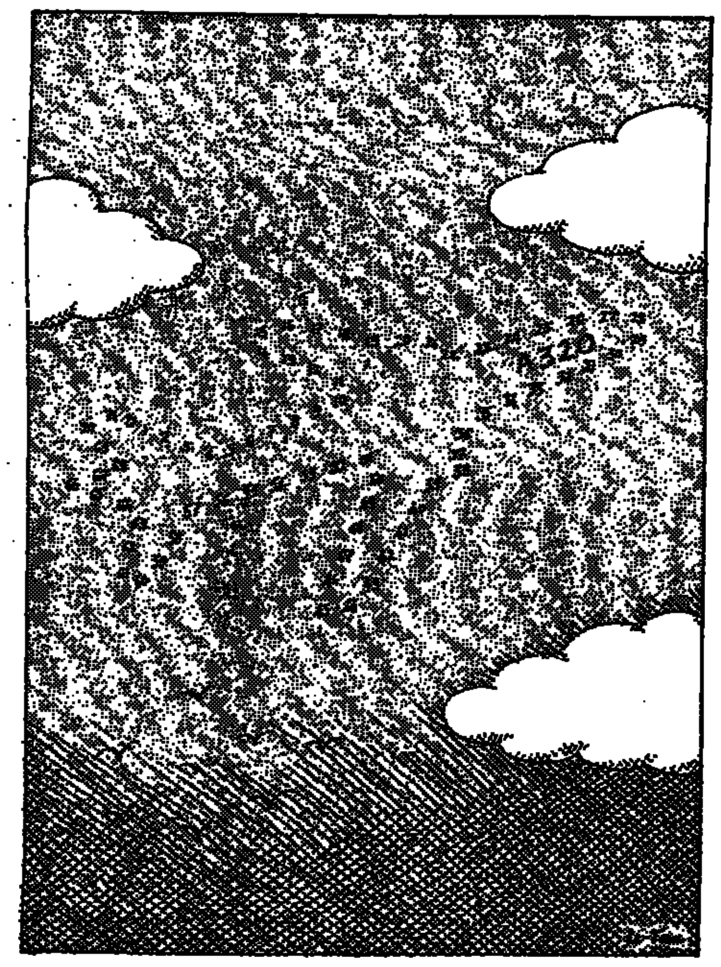

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FEDERAL MOGUL

Anglo-German group bids for traffic project

BY DAVID THOMAS

PLESSEY, the UK electronics group, has put together an Anglo-German consortium to bid for an innovative traffic management scheme due to be unveiled by the Department of Transport this week.

The scheme, known as an auto-guide, will involve regular transmissions to drivers of suggestions for the best routes for a particular journey based on up-to-the minute information on road conditions and traffic congestion.

Mr Paul Channon, Transport Secretary, is due to announce this week that he is seeking bids from private groups to run a pilot version of auto-guide which will cover much of west London. The intention is to extend the scheme first throughout London and then nationally.

Paul Channon: seeking bids

One estimate is that the capital cost of the initial pilot scheme will be £10m, and that it will cost £20m-£25m to extend auto-guide throughout London and £50m-£100m to cover the whole country.

The group running the scheme will have to install beacons by the side of the road which will transmit information from a central computer to receiving sets in cars or lorries. They will recoup their investment by selling or renting the sets and by charging motorists for the information.

Britain is one of the pioneers of this idea in Europe. Only West Germany believed to be at a similar stage with a project in West Berlin. Britain and West Germany are discussing the possibility of pan-European standards for auto-guide.

Plessey is believed to have agreed in principle to bid for the pilot scheme with three other groups - the Automobile Association, Siemens, the West German electronics group, and CAP, a British software house.

The partners have yet to agree precisely what each would do, but the AA is likely to concentrate on gathering the traffic information, CAP on providing the software, Siemens and Plessey on on making some of the hardware.

WHITEHALL STAFF TO BE TRAINED IN DESK-TOP PUBLISHING SKILLS

Pace quickens at monopolies panel

BY DAVID CHURCHILL

CIVIL SERVANTS at the Monopolies and Mergers Commission are to be trained in "desk-top publishing" techniques and will shortly take over responsibility for printing and publishing all reports from the commission.

The move is part of the Government's attempts to streamline the commission's activities so that it can work more quickly in investigating mergers and allegedly unfair business practices.

These changes include proposals to charge companies for the cost of merger investigations carried out by the commission and the Office of Fair Trading.

The commission is installing a word processing system into its central London offices which will be used to produce final, type-set versions of reports ready for printing.

At present the commission produces a typewritten report on its investigations which is sent to the Department of Trade and then to typesetters ready for printing.

It is hoped that direct typesetting within the commission will enable as much as a week to be saved from the present time taken to compile and produce reports.

This, and other changes being introduced, should enable the commission to complete its reports within three months instead of the six months laid down by law.

The civil servants who draft much of the commission's reports will also be instructed in future to write terser documents and not to include more factual background information than is necessary.

Any move by companies under investigation to have parts of the report excised for reasons of confidentiality before publication will also be subject to new procedures. At present, protracted negotiations often take place between the companies concerned and Whitehall officials before excisions can be agreed.

To save time in future, the Trade and Industry Secretary will be asked to rule on such excisions before the final report is completed.

The Government is also planning to reduce the number of commissioners who need to sit on any investigation from the present six to a minimum of three.

Such a move may bring criticism from business organisations who feel that an investigating team of only three commissioners may lack the breadth and balance of the traditional team of six.

The Government is considering whether or not to appoint more commissioners and to make some of them full-time. At present only the commission's chairman is a full-time post, with other commissioners seconded to the commission for $1\frac{1}{2}$ days a week on average.

Staff shortage eases for IT companies

BY OUR LABOUR STAFF

DIFFICULTIES faced by companies in recruiting information technology staff have eased over the past two years, although software and computing skill shortages are growing, according to a government-commissioned survey.

Reduced growth of the electronics and computing industries in Britain is said to have lowered recruitment targets since 1986 and led to a reduction in demand for experienced electronics staff and new graduates.

The survey of 143 employers was carried out by the Institute of Manpower Studies for the Manpower Services Commission and the Departments of Trade and Industry, Education and Science, and Employment.

It found an overall growth in demand for information technology specialists of between 5 and 10 per cent a year, suggesting that the total population reached about 230,000 last year.

Employers continued to rely on recruiting experienced staff, and the re-training of existing employees was rare.

Companies threaten ITV pay agreements

BY JOHN GAPPER, LABOUR STAFF

INDEPENDENT television companies are expected today to back a proposal undermining national pay and conditions agreements.

At the same time, Tyne Tees, the operator in the north-east of England, plans to be the first independent TV company to pull out of the deals altogether.

Tyne Tees intends to disclose its plan after a meeting of the ruling council of the ITV Association, the joint employers' body. It will be recommended to vote for the deletion of clauses in four national agreements protecting those deals from being undermined locally.

The developments comes after pressure from the Government for the reform of ITV staff working practices through changes to national and local deals with trade unions, and were greeted with anger by unions last night.

Mr Vincent Feiner, ITV national officer of the Broadcasting Entertainment and Trades Alliance, said the union would consider industrial action to resist the undermining of its national agreement with the ITV Association joint employers' body.

Mr Feiner said the proposed changes to the national agreements with Beta, the National Union of Journalists and the ACTT technicians' and EETPU electricians' union were "a recipe for industrial chaos and anarchy."

The ITVA had not planned to disclose the move to the unions until after the ACTT and Beta annual conferences, which start next weekend.

Mr Feiner said an emergency resolution on the subject would now be put to the Beta conference.

Mr John Calvert, ITVA director of industrial relations, said he would be recommending the move to the companies to prevent them being restricted from reaching cost-saving local deals by the clauses in the 30-year-old national agreements.

Although the national agreements do not set local manning levels, they include clauses on overtime payments of up to five times the basic rate, and multiplying penalties for not observing set meal and shift breaks.

Several recent local deals have effectively ignored some provisions of the national agreements, but national union officials have turned a blind eye to the breaches.

Companies opt for minimum pensions levy

BY OUR LABOUR STAFF

FEW LARGE companies are paying contributions above the minimum to their employees' personal pensions, and most are allowing limited re-entry to the company scheme for those who opt out, a survey has found.

The survey of 50 of Britain's largest private sector pension schemes found that only one was paying contributions above the minimum to its staff pension fund.

Forty-four companies were allowing employees to rejoin the company scheme after opting out, but many had placed restrictions on re-entry, and 22 specified that staff could opt back in only once.

The survey, carried out by Occupational Pensions magazine, is further evidence that employers are taking a hard line towards those who opt out. Thirty-six companies provided no death-in-service benefit for those outside their schemes.

There was also evidence that employers were trying to make schemes more attractive, and reduce restrictions on entry in order to persuade staff to remain within them.

Twenty-one of the schemes were widening eligibility, with 11 of them reducing the minimum entry age, nine raising the maximum entry age and six either lowering the minimum hours limit or admitting all part-timers.

Eleven schemes were making major structural changes, most introducing a money purchase underpinning arrangement, or a separate contracted-out money purchase scheme.

Eight schemes were reducing contributions and 13 schemes were improving benefits, some doing both.

Although only six schemes did not permit re-entry, 41 of the schemes which allowed it did so on a range of terms.

Retailers plan training code

BY OUR LABOUR STAFF

A UNIFIED set of qualifications for retail workers is close to being approved in what the industry's personnel managers believe could be a significant move towards reducing problems of staff recruitment and retention.

The industry believes it would the first one to establish a set of qualifications approved by the National Council for Vocational Qualifications which have been developed within the industry itself.

It could lead to an increase of up to 10-fold in the number of retail workers gaining qualifications. In 1986, 20,000 workers out of a total of 2.6m gained some form of certificate.

Gateway, the food retailer which has 68,000 staff, has just introduced as. scheme under which an in-house trainer will be employed in each of its stores to supervise the training of staff in nine store functions.

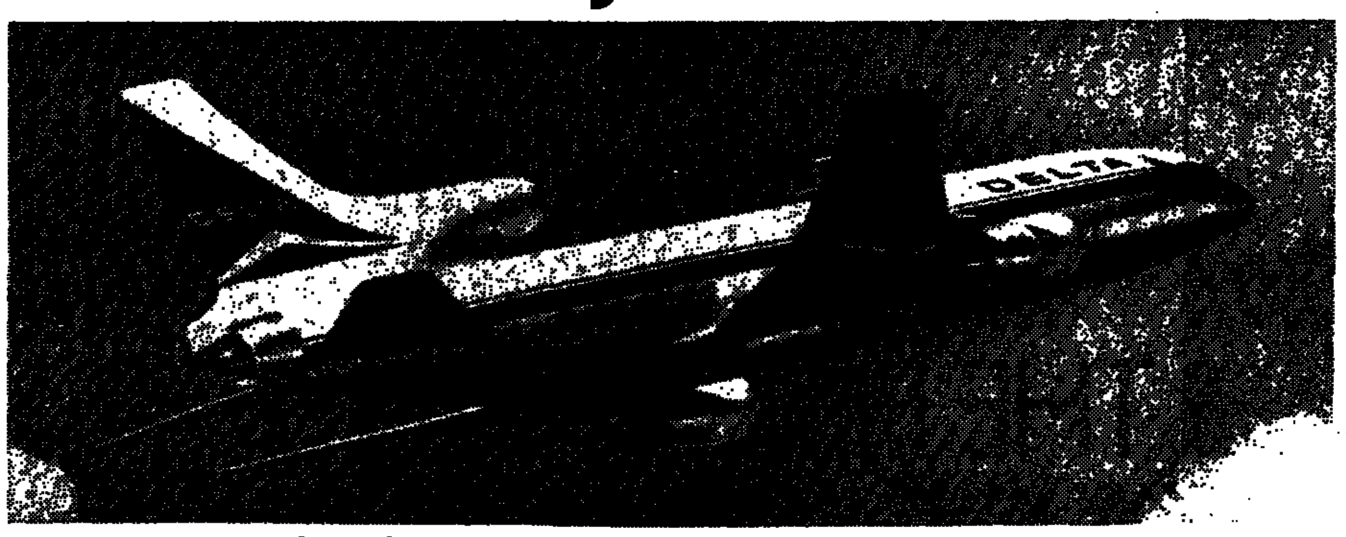
Mr Peter Morley, chairman of the National Retail Training Council, said a unified scheme was needed because at the moment there were 14 separate vocational qualifications available to retail workers. The new qualifications would test 52 separate competencies.

He believed the retail industry would be the first one to design its own form of national vocational qualification; other industries had adopted external models.

Mr Peter Fisher, Gateway personnel director, said he believed a unified qualification would make the industry more attractive to workers, and help with recruitment and retention problems in areas of shortage.

Vocational qualifications have already been approved by the NCVQ in industries including hotel and catering and travel.

Who Makes America Beautifully Affordable?



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UK NEWS

Civil servants to protest against benefits changes

BY MAGGIE URRY

CIVIL SERVANTS will stage a nationwide one-day protest at benefit offices today as controversial reforms to the UK social security system come into effect.

Civil service unions, whose members handle claims and payments, yesterday warned that "tension, already at danger point in many local offices, could boil over."

Department of Health and Social Security staff fear they will be blamed for the changes, which they believe represent an unfair system.

The reforms have been extensively criticised by charities, academics and trade unions.

The changes, affecting all means-tested benefits, are the most sweeping since the system, based on the Beveridge Report, was set up after the Second World War.

The Government argues that the changes will simplify the benefit structure and give more to those in greatest need.

There are two main strands of opposition to the reforms:

- The changes are said to strike at the heart of the Beveridge idea of a welfare state. Opponents say, for instance, that the new system suggests there are deserving and undeserving poor. They attack the introduction of discretion in granting Social Fund loans.
- Criticism also focuses on the number of losers under the new system. Opponents say the reforms, which will cut the social security budget by a net £500,000 on some estimates, mean that those who gain only do so at the expense of others. Studies suggest that perhaps half, and possibly three-quarters, of claimants will be worse off, they say.

The Social Security Consortium, a group of charities and welfare rights organisations including Age Concern, Child Poverty Action Group and Shelter, addresses the first point in an open letter to Mr John Moore, the Social Services Secretary.

The consortium says the increased emphasis on means testing will promote relief rather than prevention of poverty.

It compares "this increasingly narrow and unambitious concept of the role of the welfare state" with "the clear vision embodied in the post-war benefits system."

The letter also accuses the Government of disguising the impact of the changes.

Mr Robin Cook, the Labour spokesman on social services, yesterday challenged Mr Moore to a public debate on the changes.

He said: "Since his return to work in January the Secretary of State has not taken part in a single one of half a dozen debates on social security."

Pensions linked to unit trusts

By Eric Short

MURRAY JOHNSTONE, Scotland's largest independent investment firm with more than £3.5bn assets under management, is to offer personal pensions later this year under the new pensions environment, which came into operation last week.

The Glasgow-based group, a leading pension investment manager, is also expanding its pension fund investment services.

Under the pension changes, life companies lose their monopoly in providing pensions to individuals.

Banks, building societies and unit trust management groups can now also offer the pre-retirement savings element of personal pensions.

However, only a few unit trust groups have indicated their intention to take advantage of this facility.

Murray Johnstone is offering two authorised unit trusts as investment vehicles – the Murray Acumen, investing in a balanced equity portfolio, and the Murray Acumen Reserve, a cash fund.

To date, Murray Johnstone has provided investment management services to self-administered company schemes based on final salary.

The new pensions environment is expected to result in a considerable expansion of company money purchase schemes – where contributions are invested and the accumulated fund at retirement in respect of an employee used to buy a pension.

Murray Johnstone has a good investment record with its existing tax-exempt pooled fund.

The average of its segregated (individually-invested) funds, appears in the top quartile of pension fund performance, as measured by the WM Company.

Price cuts curb growth in personal computer sector

BY DAVID THOMAS

PRICE-CUTTING and the launch of low-cost models kept growth in the value of business personal computers sold in the UK down to 4 per cent last year, according to a recent survey.

However, the study by Romtec, a specialist market research company, found that 32 per cent more personal computers were sold overall.

The growth was powered mainly by Amstrad which jumped to the top of the volume league table by selling more than 100,000 machines, giving it a 26 per cent share.

Romtec found that only IBM and Apricot reported reduced revenues from personal computers last year and both increased their sales of related products. Amstrad, Apple, Tandon and Compaq all showed revenue growth of more than 70 per cent.

Compaq moved into second place in the value league, thanks to its new-generation products based on the 386 chip. Olivetti maintained third place due mainly to strong direct sales activity.

UK BUSINESS PERSONAL COMPUTER SALES, 1987

Company	Market share (%) (by value)	Market share (%) (by volume)
IBM	31.8	24.7
Compaq	8.4	4.3
Olivetti	7.9	7.7
Amstrad	7.5	26.0
Apricot	4.9	4.1
Apple	4.6	4.3
Tandon	4.5	5.9
Others	30.4	23.0

Source: Romtec

All the main companies except Apricot enjoyed increased unit sales. Besides Amstrad, Tandon (140 per cent), Olivetti (60 per cent) and Compaq (50 per cent) registered dramatic advances.

However, the most innovative products, such as IBM's latest PS/2 range and the 386-based machines, failed to take the market by storm. "The year overall was one of uncertainty and unfulfilled promises," the report said.

This was partly offset by big gains for software and printer sales.

Perfume sales rise in value

BY LISA WOOD

THE SMELL of perfume may not be getting more pervasive but it is getting more expensive, according to the Economist Intelligence Unit.

According to its Retail Business publication, the retail sales value of perfume was nearly £300m last year, 11 per cent higher than in 1986.

This was the fifth successive year of growth, making a 60 per cent rise in market size at current prices since 1982.

However, unit sales have not been buoyant. The number of items bought, roughly between 35m and 40m in 1987, has not grown since the early 1980s.

The big expansion in volume sales began in the 1970s with the introduction of light, inexpensive perfumes, such as Revlon's Charlie. Today, however, mass market scents account for 40 per cent by value compared with 50 per cent in 1984.

Retail Business points to the changing image of perfumes with the largest selling brands, including Dior's Poison and Yves Saint Laurent's Opium. This imagery provides a sharp contrast with the more flowery names of the past, although Max Factor's Le Jardin D'Amour leads the mass fragrance sector.

Women's Perfumes: Retail Business. No 362, April 1988. The Economist Intelligence Unit, 40 Duke Street, London W1A. £45.

Ford strike depressed commercial vehicle sales

By John Griffiths

DISRUPTION of Ford van supplies by a two-week strike and other stoppages was responsible during March for the first significant downturn in the UK commercial vehicles market for many months.

Sales of Ford's Fiesta, Escort and Transit vans were virtually halved, compared with the same month a year ago. The result was to depress total commercial vehicles sales for the month by 9.35 per cent compared with a year ago, unit registrations falling from 35,169 to 31,879.

However, the Ford disruption, now over, has not been sufficient to halt the industry's progress so far this year towards expanded overall sales for the fifth year in a row.

Statistics from the Society of Motor Manufacturers and Traders show that total registrations in the first quarter, at 89,672, were up 5.2 per cent on the first three months of last year.

Inevitably, the problems at Ford, which dominates the high-volume light commercial vehicles sector, led to the share of sales taken by imports rising sharply last month.

Imports took 42.87 per cent, compared with 33.88 per cent in March last year.

Trucks 'proper' – those over 3.5 tonnes – buses and coaches and four-wheel-drive vehicles all experienced further sales growth last month compared with the previous year, although the rate of increase in the truck market declined.

Truck registrations, at 6,663, were up 10.13 per cent for the month and up 17.42 per cent for the quarter.

David Fishlock on an attempt to exploit investment in technology

Babcock seeks powerful partner

AT THE Babcock factory at Renfrew, central Scotland, they tell how they priced a big contract for work on the latest nuclear submarines on the promise of "tapes" from the prime contractor.

Senior executives assumed that they would be computer tapes, compatible with the electronically-controlled machinery that Babcock Power, FKI Babcock's power station boiler manufacturing arm, had installed in a £40m refurbishment.

However, when the tapes arrived from VSEL in Barrow, they were astonished to find that they were simply traditional wooden shipbuilders' templates, tens of metres in length, which are also known as tapes. Technologically, Babcock had overtaken its contractor.

The story epitomises Babcock's predicament. For a company that made a profit of only about £60m on a turnover of some £3bn over the decade 1977-87, it has invested courageously in advanced manufacturing technology.

However, the scale of investment has not yet been matched by orders for power plant, particularly from Britain's latest series of nuclear stations. Plans to privatise the UK electricity supply industry could set back orders still further, the company fears.

It has been seeking a partner, but last week FKI Babcock pulled out of negotiations with GEC on a joint venture which would have combined a GEC order book for turbo generators and nuclear equipment worth £1bn with a Babcock order book for boiler and nuclear plant worth £200m.

Babcock failed to persuade GEC that it should take more than a 20 per cent share of the venture. It believed 20 per cent would not have reflected its real worth in fulfilling future requirements for power plant needing nuclear and pollution control technologies.

Babcock's hopes are therefore pinned on a joint venture with

Lord King: toured plant with Westinghouse executive

Westinghouse Electric, the US engineering group, through its subsidiary in Cheshire, PWR Power Projects. The biggest hurdle is still likely to be agreement on Babcock's value, and its corresponding share in the venture.

Babcock, as part of the defence consortium Rolls-Royce and Associates, which builds pressurised water reactors for Britain's nuclear submarines, has had a role in PWR manufacture since the 1960s.

It is building pressure vessels, which contain nuclear reactors, for the three British Trident submarines ordered so far. Navy reactors are good business, worth more than £6m a year to the company.

However, it is small beer compared with the scale of Renfrew – running at only one-third capacity – and the opportunities offered by a series of 1200MW commercial PWRs. Much of the £40m investment has been made with an eye to that exacting technology and the standards demanded by Westinghouse, as licensor and guarantor of the integrity of the reactor.

In spite of its experience of building more than 20 reactor pressure vessels for the Navy, Babcock has not tooled up to compete for that £10m component for the Central Electricity Generating Board.

It reckons the investment would be an extra £10m in manufacturing technology, plus £5m or more in "software," adding £3m to the unit price, compared with that tendered by overseas manufacturers. Framatom in France is making the pressure vessel for Sizewell B.

Babcock does have a Central Electricity Generating Board contract as one of two independent inspectors – the other is Rolls-Royce – of the quality of the Sizewell B vessel.

Babcock is also the leading sub-contractor for the Sizewell B nuclear steam supply system (NSSS), the reactor and all nuclear-related systems. Renfrew has orders worth £150m, including a £20m contract to build the four big steam generators.

Its biggest single contract is to fabricate all the high-integrity pipe work which unites pressure vessel, pumps, steam generators, and turbo generators in a complete NSSS.

It has no hope of winning orders for a second PWR in the series for another two years, until after the Hinkley B public inquiry, which starts in October. The contract could be delayed further by plans to break up the CEGB.

Those plans also threaten to delay orders for fossil-fired plant and to stall Babcock's investment in the proposed 900MW. boiler and fume-scrubbing technologies.

Renfrew has found some alternative work for its advanced manufacturing technology, particularly its welding and cladding techniques, in the defence sector. That provides 25 per cent of its income, much of it on Trident nuclear submarine fabrication for US as well as British vessels.

Its nuclear skills are also used to make transport flasks for spent nuclear fuel. They arrive as 80-tonne steel forgings and leave whittled by automatic machines into 40-tonne flasks.

As Babcock sees it, union with Westinghouse, with 165 commercial PWRs designed or built under licence arrangements, is the best hope. Lord King, Babcock's chairman, recently toured Renfrew with Mr Ted Stern, Westinghouse's executive vice-president for energy and utility systems.

The union, if consummated, would come about through PWR Power Projects, set up as the conduit through which PWR technology would flow from Pittsburgh to Britain.

Transfer of manufacturing technology has worked well, say Babcock executives. A team from Renfrew is being trained by Westinghouse in Florida and a senior Westinghouse engineer will join Renfrew's planning department this summer

What is not being transferred, they say, is the detailed data on design, materials and performance which underpin the Westinghouse PWR concept. This is because PWR Power Projects has remained a wholly-owned Westinghouse subsidiary. The British option of a stake in the company, originally intended to be taken by the National Nuclear Corporation, has never been exercised.

Babcock believes this underlying technology is essential if Britain is ever to develop its own PWR technology.

They would also like access to information on the advanced PWR under development jointly by Westinghouse and Mitsubishi. That becomes available under the terms of the Westinghouse licence once Britain's power plant industry resolves the question of who is authorised to receive it.

A joint venture between Babcock and Westinghouse – still only at the stage of "desultory discussions" – should simplify a complex commercial issue.

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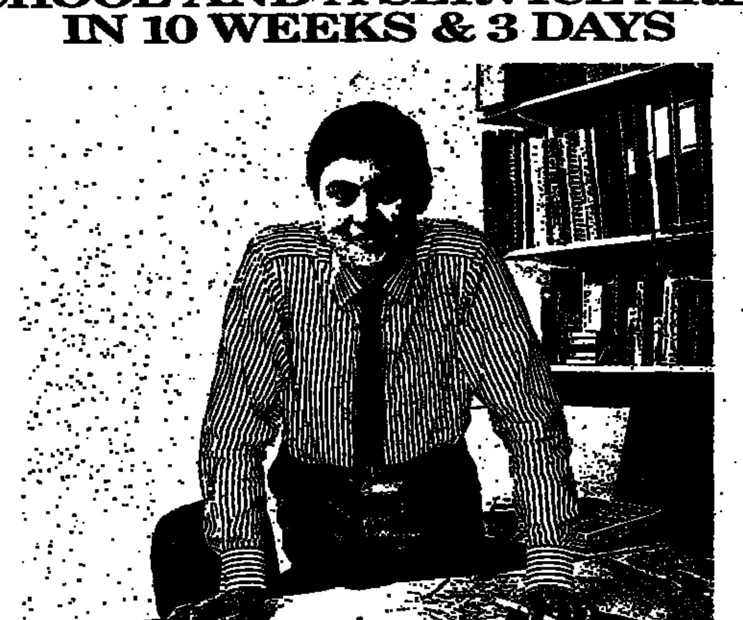

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Kinnock confirms plan for big changes to tax system

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, Labour leader, yesterday confirmed that his party was planning a radical overhaul of the taxation system as part of its policy review.

Mr Kinnock, who attacked the Government for raising the total tax burden on taxpayers by 15 per cent in real terms since 1979, said he wanted to see the introduction of a lower tax band to prevent millions of low-paid workers from paying the standard rate of income tax.

Speaking on London Weekend Television's Weekend World, Mr Kinnock said he wanted to see the implementation of an income tax regime that did not create a "tax trap," in which people were, in one step, faced with paying the standard rate. A lower rate would enable them to be eased into the tax system.

His remarks reflect work under way within one of the seven working groups set up under the party's policy review and headed by Mr John Smith, shadow Chancellor of the Exchequer. Mr Smith has already suggested that the minimum tax rate could be as low as 15p in the pound.

Mr Kinnock said that people on average earnings were, with national insurance contributions taken into account, paying a real tax rate of 34p in the pound. The narrow taxation gap between them and people on huge earnings was "crazy, unjust and inefficient."

He also restated Labour's post-Budget pledge to raise the top rate of income tax beyond the 40 per cent ceiling introduced by Mr Nigel Lawson, the Chancellor.

He would not specify the likely higher levels, but said it was "highly unlikely" that the party would seek to reimpose the very high levels implemented by previous Labour governments. The leadership is thought to favour a top rate in the region of 50 per cent.

In a wide-ranging interview, Mr Kinnock was particularly careful not to pre-empt the outcome of the review of the party's defence policy.

He restated his personal commitment to a non-nuclear defence policy, but said Labour had to decide whether it would best achieve its objectives by volunteering to be the first nation to give up nuclear weapons, or by maintaining pressure on the arms reduction process already under way.

The Labour leader also forecast that he and Mr Roy Hattersley, the party's deputy leader, would win the forthcoming leadership and deputy leadership contests in a way that would give strength and credibility to the party.

He said the actions of those who had provoked the contests would prove "self-destructive and self-defeating."

M and S 'poised to recover lost growth'

By Alice Rawsthorn

MARKS AND SPENCER'S share of the clothing market fell during spring and summer last year. However, Britain's biggest clothing retailer has addressed its problems and is now poised to recover lost growth, according to a report published this week.

The report by Verdict, the retail consultancy, estimates that M and S's share of the clothing market fell from 15.4 to 14.4 per cent in the six months to September 30. Verdict describes the six-month period for the company as its "weakest of the 1980s."

It attributes the company's problems to its attempt to move "too far, too fast" in introducing more expensive merchandise. The report suggests that this "blurred" consumer perceptions of the group, depressing its sales.

Verdict says that M and S has already taken action to resolve its problems, but criticises it for being "rather slow" in its response. It expects that M and S regained some lost ground in the autumn and winter and anticipates a "much stronger performance" this year.

One of the companies which benefited from M and S's difficulties was the Burton Group, which increased its share of the £14.5bn clothing market from 8.8 per cent in 1986 to 9.6 per cent in 1987, according to the report.

Much of the increase in Burton's market share is due to the additional floorspace the group gained with its takeover of the Debenhams chain of department stores. Nevertheless, Verdict estimates that Burton's established chains also gained market share.

Next also mustered growth, claiming 2.8 per cent of clothing sales, excluding its mail order activities.

Verdict anticipates "strong demand" for clothing in the coming year. It forecasts that the clothing market – which grew by 8 per cent in 1987 – will see growth of 7 per cent to £15.5bn in 1988.

Verdict on Clothing Retailers. Verdict Research, 112 High Holborn, London WC1V 6JS. £450.

Trading with public sector encouraged

By Feona McEwan

THE GOVERNMENT steps up its drive to expose the public sector to competition today with the publication of a booklet encouraging businesses to sell to it.

The booklet offers guidelines on the products and services public sector organisations require and the way they do business.

It is hoped that the economy will benefit generally by encouraging new suppliers to trade with the public sector.

There should be a positive impact on quality systems because successful suppliers will be those stressing quality and reliability as well as price. Total public-sector spending is about £40bn a year.

The same free-market ideology is behind the Government's plan to privatise all or part of Crown Suppliers, its central buying agency, which supplies equipment to state-run bodies.

Selling to the Public Sector. From chambers of commerce, trade associations and the Department of Trade and Industry, GPU3, Room 544, 1-19 Victoria Street, London SW1 OET. Free.

Nurses say health options not better than NHS

FINANCIAL TIMES REPORTER

NONE OF the systems of healthcare being examined by the Government is better than the NHS, according to the Royal College of Nursing.

The RCN told the Commons Social Services Select Committee that the health service was "inherently efficient and cost-effective," but its central problem was chronic underfunding.

The NHS could provide care and treatment to all who needed it, rather than selecting on the basis of income or existing standards of health – surely the hallmark of any civilised system.

"Of course, there are areas in which the NHS can be improved, but by international standards the NHS offers a comprehensive, fair and economical service. It deserves support, not destruction," the RCN said.

The drawback of private health insurance was that companies had a strong incentive to recruit young, rich adults and ignore the poor, old and chronically sick.

"Already somewhere between 30m and 40m Americans have no health cover at all, and the impact of AIDS, and the general increase in life expectancy is likely to force premiums up and individuals out of insurance," it said.

"Although the US does provide some public health services for those not covered by insurance (Medicaid), this is in general a second-class, inferior service."

The idea of an internal market within the NHS, through which health authorities would buy and sell services among themselves, had "major defects," including substantial administration costs and more inequalities between health regions.

It was also not clear that patients or their families and friends would be prepared or able to travel significant distances for treatment.

● The NHS will need an extra cash injection to meet the cost of this year's pay award for doctors and dentists, the British Medical Association said.

The BMA also warned the Government against interfering with the recommendations in the doctors' and dentists' independent pay review body report, which is due to be published this month.

Ralph Atkins on likely effects of competition in the home loans market

Mortgage war is boon for retailers

RISING SPECULATION about a mortgage-rate war signals an anxious week ahead for building societies and clearing banks but can only mean good news for their shopkeeper neighbours in shopping precincts.

The cut in bank's interest rates on Friday to a 10-year low offers the prospect of a fall in the cost of borrowing. Spending in shops, already rising rapidly, is likely to increase even faster.

Falling interest rates and the prospect of further cuts in coming months are just one of several economic indicators pointing in the right direction for retailers: earnings are rising sharply; people are saving less of their income; and consumer credit is at record levels. Moreover, Budget tax cuts are icing on the cake.

A cut of one percentage point in mortgage rates would reduce repayments on a £30,000 mortgage by about £15 a month.

The effect within the whole economy is significant, particularly when mortgage holders seem more likely to spend, not save, their extra cash.

It is by reducing household outgoings that cuts in interest rates probably have their most pronounced effect on spending. Only if consumers perceive that an interest-rate cut will be maintained is a substantial level of extra borrowing likely.

Mr Bill Martin, chief UK economist at Phillips & Drew, estimates, as a rule of thumb, that a sustained cut of one percentage point in interest rates raises consumer spending by about ¼ per cent over 18 months.

However, although shopkeepers may welcome a more affluent clientele, an elated retailing sector may have disadvantages for Britain as a whole.

High-street shops sales include many imports, estimated to grow at perhaps double the rate of all sales, so fast consumer growth is likely to exacerbate the big overseas trade deficit.

Some independent economists also believe buoyant consumer spending could lead to bottlenecks in British industry as skills and materials shortages intensify. If producers are tempted to raise prices the result will be upward pressure on inflation.

A few figures show consumer spending's current buoyancy: average earnings rose at an underlying rate of 8.5 per cent in the year to January, compared with a 3.3 per cent rise in retail prices; the proportion of income saved by the personal sector last year fell to about 5.6 per cent, the lowest level for 28 years.

Consumer credit outstanding in February totalled £23.6bn, more than £400 for each member of the population. This figure covers bank credit cards and lending by retailers, finance houses and building societies but excludes personal bank loans and lending by insurance companies.

The result was a rise in retail sales volume last year of about 6 per cent. Consumer spending, accounting for about half national income, grew by 5 per cent in real terms.

For this year, the Treasury predicts a consumer spending growth rate of about 4 per cent. Many independent economists think this is too cautious.

The strength of the sector emphasises a potential problem in the Government's policy on interest rates. The task it has set itself is to use interest rates both to control the value of sterling and to influence the domestic economy.

The danger is that the interest-rate level needed to keep the exchange rate in check may lead to unpleasant side-effects in an economy that is growing too fast.

Mr Tim Congdon, economist at Shearson Lehman, said the Government was "playing with fire." Attention should be focused more on domestic indicators, particularly retail price inflation.

However, the Treasury clearly discounts any possible undesirable side-effects. For example, on recent surges in consumer credit, it points to consumers' rising wealth, which has underwritten increased borrowing.

The Treasury says the recent exchange-rate appreciation represented a tightening of monetary policy.

As a result, the cut in interest rates on Friday was needed to maintain the status quo. It follows that a buoyant retail sector reflects the economy's underlying strength.

SENIOR MANAGERS at Abbey National, the country's second largest building society, will meet this morning to decide by how much they should reduce their mortgage rate of 10.3 per cent, heralding a fresh intensification of the mortgage war, writes Richard Waters.

Abbey's move follows last Friday's 0.5 percentage point fall in base rates, to 8 per cent, and the decision by Halifax, the largest society, to cut its rate by at least half a percentage point, from 10.3 per cent, on May 1.

Base rates have now fallen by 1 percentage point since Abbey last cut its mortgage rate at the end of last year, offering the prospect of a sharp reduction in the rate this week.

"It's not a question of whether we cut our rate – it's a question of how much and when," Mr John Bayliss, Abbey general manager, said on his return from a holiday in France yesterday afternoon. However, he stressed: "I'm not interested in beating Halifax. I'm interested in setting the right mortgage rate at the right time."

A cut in the mortgage rate would also reduce rates paid to investors. However, these would still offer a real rate of return, in spite of being the lowest rates paid for years, said Mr Bayliss.

Inflation policy 'under threat'

BY RALPH ATKINS

THE GOVERNMENT'S anti-inflation policy may be threatened by an upswing in earnings after recent pay deals, according to a report issued at the weekend.

Mr Kevin Boakes, chief UK economist at Greenwell Montagu, the securities house, said the pay deal agreed at Ford in February, worth at least 14 per cent over two years, could set a pay norm of 7 per cent a year.

If overtime and bonus payments were included, average earnings growth could rise to more than 9 per cent a year, compared with the current rate of about 8.5 per cent.

He said that since the Ford deal there had been settlements at about 7 per cent. Pay deals being processed were concentrated in the public sector, where the Government could exert influence. But there were few signs of slowdown.

Last year, sharp rises in earnings were offset by labour productivity improvements. The exceptional surge in manufacturing productivity would lose momentum this year but for the whole economy the rise in unit labour costs would be more modest.

A Lloyds Bank report issued today says sterling's strength will be short-lived and the pound will fall from above DM3.10 to below DM3 by September.

Mr Christopher Johnson, Lloyds chief economic adviser, says: "Because of higher economic growth and inflation than elsewhere, and a widening balance of payments deficit, the pound needs to and will fall."

The dollar will fall for similar reasons, he says. "The chances are that they will go down more or less together, so that the pound-dollar rate may not change much over the next year."

The dollar is forecast to fall to DM1.50 and Y114 by the year's end.

A report from James Capel, the securities house, says European countries' growth in the last quarter of last year was more buoyant than expected after the stock markets crash last October.

It says this will have a knock-on effect this year. An economic growth rate of 3 per cent is forecast for the UK, compared with 1.8 per cent in West Germany, 1.6 per cent in France and 2 per cent in Italy.

NatWest equity arm relaunched

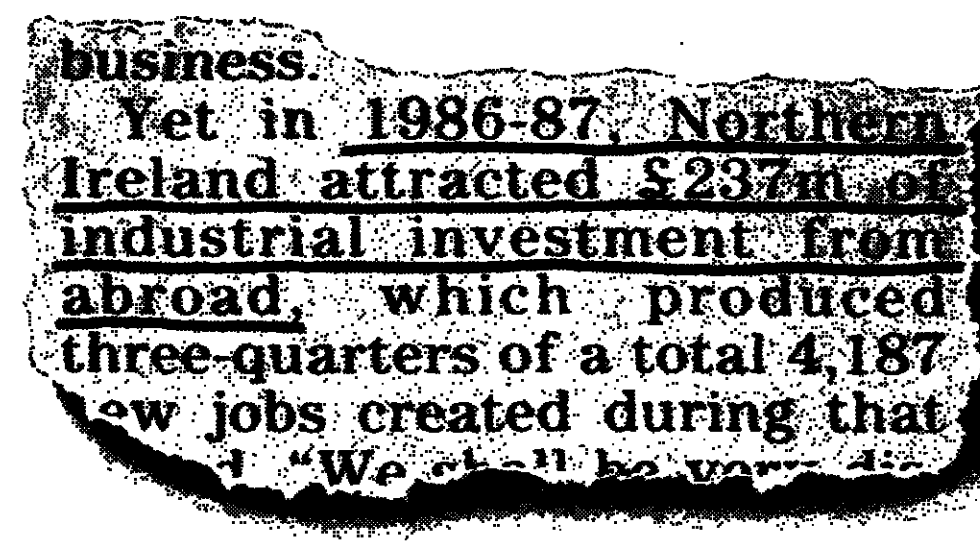
By Richard Waters

THE EQUITIES operations of NatWest Investment Bank, a subsidiary of the UK's largest clearing bank, are relaunched today under the name County NatWest WoodMac.

The new name and corporate image follow the bank's takeover four months ago of stockbroker Wood Mackenzie. This was seen at the time as a reverse takeover, with Mr John Chiene leading a group of Wood Mackenzie staff into the top management slots in NatWest's equity business.

The relaunch marks the end of a turbulent affair – at least for the time being. The integration of the WoodMac business has prompted a number of redundancies and senior resignations.

14·1·88 FINANCIAL TIMES



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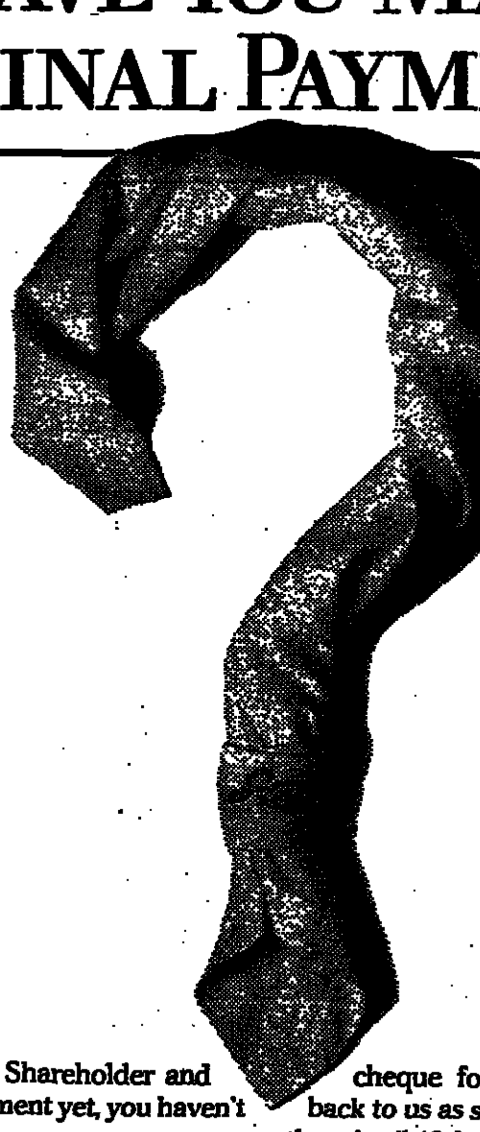

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NATIONAL TRAINING AWARDS

Natural radiation investigated

BY DAVID FISHLOCK, SCIENCE EDITOR

ABOUT 17,000 British homes and more than 30,000 people in Britain and Norway are the focus of research to determine the health effects of radon, the natural radioactive gas, and a possible link with lung cancer.

Scientists with Britain's National Radiological Protection Board, the Government's watchdog on public exposure to radiation, are to describe their research at the International Radiation Protection Association's conference in Sydney, Australia, today.

The study follows other British research that has shown that radon accounts for half the public's exposure to radioactivity, and that in some areas – such as south-west England – levels are 10 times higher than the national average.

Radon is a natural gas which seeps from rocks containing traces of radium, the radioactive element once used to treat cancer. It "decays" with time, like all radioactive substances, but its decay products are also radioactive gases.

The latest study – in south-west England, where most of the high-radon homes have been found – is being conducted in collaboration with Medical Research Council statisticians from Oxford University. They are investigating possible health effects from long-term exposure to high radon levels.

The British scientists are also working with the National Institute for Radiation Hygiene in Oslo, Norway, to monitor radon in 10,000 dwellings. The Norwegian authorities are trying to establish whether there is a link between deaths from lung cancer and exposure to radon.

In Britain, work is under way with the Environment Department on ways to minimise radon exposure in existing and new dwellings.

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The Milan Fair is therefore pleased to have been asked to organize a meeting between businessmen from the Andean Pact and the E.C., in the context of the Grande Fiera d'Aprile and "Project Europe".

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Kenneth Gooding on men digging deep into their own pockets to save Cornwall's mines

Buying time for tin trade to recover its mettle

IT IS a big risk, possibly the biggest anyone could take with a career, admits Mr Brian Calver.

At the age of 44, and with a wife and two children to support, he has just taken a 17.5 per cent salary cut and given up the relative security of a management job in a multinational corporation for a project that might last only three years.

Mr Calver is leading a group composed of managers who have put up their own money to give Cornish tin mining another stay of execution.

He and 11 colleagues have arranged a management buy-out of Carnon Consolidated, previously part of the RTZ Corporation, which owns the Wheal Jane and South Crofty tin mines.

They are taking a huge gamble on two factors outside their control: that the price of tin will rise by at least 30 per cent in the next three years and that the pound will weaken against the US dollar, the currency in which international tin prices are denominated.

Mr Calver says: "If the tin price stays where it is today – about £4,000 a tonne – we will run out of money in three or four years. At £5,000 a tonne, we might just survive. At £6,000, we will not make a fortune, but will all keep our jobs.

"At £7,000, come and see me on my tropical island and I'll buy you a drink."

About 50 miles south-west of Wheal Jane, near Land's End, the Geevor mine stands in bleak countryside where deserted mines bear witness to Cornwall's decline as a tin producer.

Geevor was due to shut last Christmas, but new owners have taken it over, waiting like Mr Calver for a revival in the tin price.

There has been tin mining in Cornwall for about 2,000 years, but it seemed likely that the remaining mines would disappear when, in October 1985, the price of tin fell by half, from just over £8,000, as the International Tin Council's price support operation collapsed.

Enough tin to satisfy western demand for nine months was in the council's stocks and this huge surplus has depressed prices since.

RTZ claimed that its Cornish mines were losing £1m a month and to the astonishment of many observers, the British Government made its first U-turn and provided a £25m aid package.

Cynics said the decision was mainly political – the SDP-Liberal Alliance was making strong headway in the area. However, the Government claimed that not only would there be balance-of-trade savings, but that there were also strategic reasons for ensuring the mines stayed in production – tin solder is used widely in electronic products.

This has been a growth area for the metal, but the quantities used are so small that they cannot compensate entirely for tin's losses in the packaging business, which have cut total western consumption from a peak of more than 200,000 tonnes in 1973 to about 130,000 tonnes.

However, the Government drew the line at providing Geevor with aid and nearly 400 miners lost their jobs. The mill has since been producing tin from stockpiled ore. This had nearly run out when Mr Clive Smith, an entrepreneur who founded Petronol, a small oil company, acquired a 26.7 per cent shareholding.

He invited Mr Eric Grayson, a mining engineer, to buy a stake and become chairman. Mr Grayson, who has a 9 per cent shareholding, hopes to turn Geevor into an international mining house. He says it should be possible to produce 700 tonnes of tin annually for about five years.

Geevor is able to produce tin at below the current market price, because no development work is being done – typically this accounts for about 40 per cent of the production cost. However, if it is not carried out, a mine's life soon comes to an end.

Mr Grayson estimates that development work would be viable if the tin price rose to between £5,000 and £6,000 a tonne.

The Cornish mines are relatively high-cost because they are so deep and below the water table. Mr David Forbes, the mine superintendent, says 6,000 gallons of water a minute must be pumped out of Wheal Jane at a cost of £1.3m a year.

Mr Forbes says development work to provide five years' supply of ore has been nearly completed at Wheal Jane. The government money and a loan from RTZ will be used mainly at South Crofty, a mine with a richer ore body.

The Government has improved the terms of its aid package by converting a loan guarantee for £10m into an interest-free loan and adding it to the £15m loan already in place. RTZ has provided another £10m, also interest-free and, like the government loans, repayable if Carnon's profits reach a predetermined level.

The new management's strategy is to minimise cash outflow rather then to maximise tonnage. Most of the variable costs, such as manpower and energy, are related to output, so this is being reduced.

Output of ore from the two mines is being cut by nearly half, to 350,000 tonnes a year, which will reduce the amount of tin produced from 4,600 tonnes to 3,200 tonnes.

Fewer people will be needed. The new company must pay for 120 redundancies, taking the workforce down to 500.

Those who remain will take pay cuts. For the managers it is 17.5 per cent; for the lowest-paid, 7.5 per cent; for those in between, 12.5 per cent. The miners' average pay will drop from about £250 to £270 a week to £225 to £235.

Mr Calver believes that the management buy-out provided the only hope for the Carnon mines.

He says the management team has been willing to stump up its own cash, partly because the workforce is "tremendously loyal."

He adds: "We haven't had one day's strike in 10 years. So it is a way of returning that loyalty. If the mines close they will not open again – at least it would take a hell of a high tin price to make the investment worthwhile.

"But it's not just that we are big-hearted. My head tells me that a tin price of £5,500 to £6,000 a tonne sometime in the future is possible. And we can get through to 1991 with the current tin price and the cash we have."

Manufacturers Hanover drops plans to expand London HQ

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MANUFACTURERS Hanover Corporation, owner of the sixth biggest bank in the US, has abandoned a planned expansion of facilities in London and is ready to lease space at the headquarters building it bought for £90m in November 1986.

The bank's decision to use only four floors of the 11-storey Adelphi Building, off the Strand in the West End of London, means it may sell the property.

However, Mr Paul Maloy, head of the London branch of Manufacturers Hanover Trust, the corporation's bank, said yesterday that a letting strategy was "the most appropriate for the moment."

Manufacturers Hanover has appointed Baker Harris Saunders, London surveyors, to advise on the the building's future use. The appointment is symptomatic of the caution with which financial institutions are assessing space needs in the wake of the stock markets crash last October.

So far, this caution has not shown up in central London market rental levels. Any slack has been taken up by professionals, such as firms of solicitors and accountants.

At the same time, said Mr Nick Baucher, of BHS, there had been "a greater willingness on the part of developers to do leasing deals."

Until October, developers of big buildings in central London had often been reluctant to lease space to professional companies, preferring to meet what was seen as the financial institutions' more lucrative demands.

The Adelphi had been bought on the assumption that Manufacturers Hanover would expand staff, from 1,150 to nearly 2,000, and consolidate all its London staff in one building.

In fact, the bank has been restructuring and is shedding 2,500 staff worldwide, mostly in the US. Last month, 40 London staff were made redundant.

"The expectation is that growth has flattened out," Mr Maloy said. He emphasised that Manufacturers Hanover had not moved out of any of the segments of its business.

This year, Manufacturers Hanover froze a contract with Trollope & Colls, the construction company, to carry out refitting work at the Adelphi, a 320,000 sq ft building constructed in the 1930s and refurbished in 1983.

Of that space, 75,000 sq ft is already let and 125,000 sq ft is on the market for letting. Manufacturers Hanover will occupy the rest.

ICL expects profit from acquisition

By Terry Dodsworth

ICL, the UK computer group, is confident of making a profit this year on the activities of Data Systems, which it acquired from Northern Telecom of Canada last year.

The Data Systems business was part of a group of loss-making telecommunications and data-processing operations sold to ICL's parent company, STC, by the Canadian group in a broader collaboration deal last October.

Since then, ICL has rationalised the Data Systems organisation, closing its manufacturing facility at Hemel Hempstead, Hertfordshire, and integrating its sales offices with existing operations throughout western Europe.

About 50 of the 600 employees in the Data Systems company will be released as a result of the decision to contract out all the group's production. However, Mr Roger Wood, UK sales director, said many would be redeployed elsewhere in the enlarged ICL office systems business.

Mr Wood said ICL aimed to develop the acquired business by maintaining its product line and adding new facilities. However, he said that as a new generation of equipment was introduced in about two years' time, Data Systems' departmental computer systems would be integrated with ICL's own range.

Northern Telecom, which is mainly active in North America, launched the European Data Systems business in 1984 with design facilities in the UK.

About half its employees are based in Britain, with the rest spread throughout western Europe, although the strongest divisions are in Holland, France and Italy. It has installed about 12,000 computer screens throughout the region, generating turnover last year of about £9m, while winning orders of £1.5m in the UK since the takeover.

ICL was interested in the acquisition because of its plans to expand in continental Europe, spearheaded by its office equipment operations.

City business rates 'likely to rise 50%'

BY PAUL ABRAHAMS

BUSINESS RATES in the City of London look set to rise by 50 per cent to 60 per cent over five years, according to Mr Bernard Harty, Chamberlain of the City of London Corporation.

The increase would be caused by the introduction of the community charge, or poll tax, and the particular nature of the population of the City.

In theory, the community charge requires the adult resident population to take on a greater proportion of the burden of taxes from local businesses.

However, the City, which is collecting £420m in business and domestic rates this year and a further £350m for the Inner London Educational Authority, has a resident population of only 4,500.

The introduction of poll tax in the City without modification would require residents to pay between £9,000 and £14,000 per annum, based on this year's figures. In Croydon, south London, poll tax has been estimated at £178 per annum.

Mr Michael Howard, minister for local government, has said that £9,000 is unreasonable. He has proposed that residents pay about £235, excluding the cost of education. That represents a minimum concession of £8,765.

The ramifications of that concession would be most keenly felt by City businesses, and in particular, small companies. The increase in rates would be reflected in rents which shopkeepers claim are already high.

Mr Douglas Woodward, chairman of the City of London Ratepayers Association, said: "In the end, large financial institutions do not give two hoots about rates. They can absorb changes quite easily. But small service businesses may just not be able to handle any rent increases created by a rise in rates."

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By: The Chase Manhattan Bank, N.A.
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CHASE

April 11, 1988

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CHASE

April 11, 1988

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By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

April 11, 1988

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PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(THIRD SERIES)

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FINANCIAL TIMES
SURVEY

Turkey's agricultural heartland has faced rapid urbanisation and industrialisation in recent years. In this three-page survey, **Jim Bodgener** looks forward to the region's development as the pivot of the eastern Mediterranean, when it will no longer be off the beaten track

The view from above Adana, the biggest town in the region

Cukurova
REGION OF TURKEY

Gateway to the future

THE FLAT Cukurova plain surrounded by the snow-capped Toros mountains is often referred to as the agricultural heartland of Turkey, its fertile, alluvial soil producing an abundance of crops all year round. Its industry, particularly textiles, is substantial too – the region has nurtured several of Turkey's leading conglomerates.

Cukurova broadly covers the provinces of Adana, Icel and Hatay. There are about 4.5m inhabitants, roughly 10 per cent of the country's total population. Adana province by itself – with the regional capital of the same name, the largest of the three provinces – exported goods worth $401m in 1987, about 4 per cent of Turkey's total sales for the year.

But this agricultural and industrial capacity is of relatively recent origin. Mid-way through this century, Cukurova underwent a transformation which has continued to the present day. Until the 1950s, its agriculture and industry were small-scale and its towns and ports parochial. Practically the largest economic activity was the migration in the spring of Turcoman nomads with their herds and flocks from the plains into the encircling Toros mountains to escape the floods from the melting snows.

Now the only vestiges of this centuries-old symbiosis with the seasons and nature are tents pitched on industrial wastelands or on hillsides too barren and stony for crops. The nomads have given way to a phenomenon all too common in the developing world, migrant labour from arid regions further south-east for the cotton-picking season.

Two fundamental changes underpinned this transformation, one ecological and the other political. With the support of the World Bank, the marshes were drained and a controlled system of irrigation canals built around the main rivers – although not without some undesirable side-effects. And for the first time since the founding of the Turkish republic in the 1920s, a regime dedicated to the promotion of private enterprise combined with the region's virile entrepreneurial spirit to unleash a wave of industrial investment.

Fields of ploughed alluvial soil or green, standing crops now extend to the foothills of the mountains on the horizon, employing the bulk of Cukurova's population. Industry is most concentrated around Adana, and along the main E5 highway between the city and Mersin port.

Agricultural abundance – particularly cotton-growing – provided the springboard for industrial development, the first major investments being in agro-related industries like textiles and vegetable oil.

Cotton and textiles rule in Cukurova, although other industries, both private and public sector, came with later diversification. In the late 1970s and early 1980s, transit trade with the Middle East infused the area with an affluence lacking elsewhere in Turkey, where economic and social turmoil prior to the 1980 military coup took their toll – although Adana and other cities in Cukurova were not immune to the latter either.

In post-1980 coup days, the regional economy has been sustained by re-investment from conglomerates like the Sabanci group which outgrew their Adana origins in the 1970s, and new capital inflows from non-Cukurova national groupings.

Industrialisation has gone hand-in-hand with rapid urbanisation, an alarming development for creaking municipal bureaucracies ill-fitted to cope with mushrooming populations in *gecekondu* – or unauthorised – housing settlements. It is a problem common to all Turkish cities, estimated to be growing at a rate of around 6 per cent a year in population terms, but one which is most acute in Cukurova.

This urban influx with its attendant social and infrastructural problems is reflected in the voting patterns in the November general elections which returned the free-marketeering Prime Minister Mr Turgut Ozal and his Motherland Party (ANAP) to power. Not surprisingly, in a region so dominated by private sector farming and industrial enterprise, ANAP came out on top. However, it was closely followed by the Social Democratic Populist Party (SDPP), then led by Professor Erdal Inonu, with the True Path Party of former prime minister Suleyman Demirel bringing up the rear.

With the support of the World Bank again, the Government has initiated a programme of urban renewal and municipal rationalisation for the five main urban centres – Adana, Mersin, Tarsus, Ceyhan and Iskenderun – which seeks to address itself to the *gecekondu* problem, and its future regulation and eventual elimination. It is being keenly watched by the World Bank as a possible model for urban development elsewhere in the developing world.

The Government also plans to invest heavily in the next few years in infrastructure schemes which will promote the region's development as the pivot of the eastern Mediterranean. Construction has started on a project to upgrade to toll motorway standard the route from Mersin through Adana and eventually right up to the Iraqi border gate at Habur.

Two free trade zones are planned, one already under construction and nearing completion at Mersin, and the other, much larger project with an associated port planned for Yumurtalik in the bay of Iskenderun, which the Government wants to develop as a mercantile centre. It has already benefited from being the outlet for Iraq's two vital crude export pipelines, as well as hydrocarbon products trucked all the way from the border.

Nearby, in the Yumurtalik zone will be a major 1,400-MW thermal power station burning imported coal, a contract for which is being negotiated on a "build-operate-transfer" basis with an Australian-led consortium.

But these plans are overshadowed and are complementary to the massive programme of works the Government has set in train for the south-east Anatolia GAP scheme, a series of dams, irrigation canals and channels that will turn an arid area near the Syrian border into a food and cash crop basket for Turkey and its neighbours. The Government hopes the area then will become another Cukurova, only three times its size.

The huge multi-purpose programme of works for GAP includes the giant 2,400-MW Ataturk dam scheme on the Euphrates, half-completed, and its associated twin, 26.4km Urfa irrigation tunnels. The tunnels and the associated irrigation network will water 476,000 hectares of the Harran plain. Consultancy awards were recently made for masterplan studies for the overall future macro-economic and sectoral planning of the GAP scheme.

When GAP is completed in the 1990s, Cukurova will become its gateway to the outside world. Local businessmen are already making plans to take full advantage of the agricultural produce and cheap cotton that will flow from the GAP scheme. Likewise, Cukurova may have been off the beaten track until now for many foreign businessmen, but is increasingly unlikely to remain so in future.

New free trade zones

Stimulus for industry

MUCH OF the Cukurova region's industry is strung out along the E5 highway between the port of Mersin and Adana. Cotton is king here, quite plainly from the numerous textile factories, but other industries vie in size with the mills. These include glass, cement, fertiliser, soda, plastics, chrome processing, pulp and paper, and refining.

However, large-scale industry came late to the region. The 1950s were a watershed for industrial development – previously, capital accumulation had centred on Istanbul and Izmir, and Cukurova was relatively an agricultural backwater. But with the end of single party politics in the 1940s, and the private sector sympathies of Prime Minister Mr Adnan Menderes' regime, the capital accumulated in agricultural enterprises was released in a wave of investment in textile and agro-based industries.

The late development of industry in Cukurova meant the private sector has played a far more dominant role than elsewhere in the country, where its foundations were laid by the state in the absence of private sector capital. Most of this investment was by families, rather than public ownership, which still strongly colours the capital structure of industry and commerce. Many general managers, for example, are young scions of leading families, guided by parents and uncles, and being groomed for eventual group chairmanship or presidency.

This continued during the 1960s, but by the early 1970s, the scale of industrial development had outgrown simple family management. Those enterprises like the Sabanci and Cukurova Groups which moved to Istanbul to found holding companies as the nuclei of countrywide conglomerates survived the economic turmoil of the late 1970s; those that remained were severely impaired, and some went under. In the 1980s, the prodigals returned to re-invest in the region, which partly explains their predominance. They were accompanied by other conglomerates which had realised Cukurova's productive potential.

The bank doing most business in the region is not unnaturally the state-owned Ziraat Bankasi (Agricultural Bank), the country's largest and oldest. But the two banks to have originated from Cukurova, Akbank and Pamukbank, originally geared to serve the financing needs of the Sabanci and Cukurova groups respectively, have also outgrown their origins.

Akbank has now grown into one of Turkey's top three private sector commercial banks. Pamukbank is smaller, but now has total assets of about TL900bn (US$782m). Its origins are deeply rooted in the Cukurova textile industry - *pamuk* means cotton in Turkish. It was formed by Cukurova farmers in 1955 with a share capital of TL17m, very healthy in those days, and within three years had opened branches in Istanbul and Izmir.

However, the bank remained of a moderate size until 1973 when it was bought by the Karamehmet family, and was greatly expanded to service their Cukurova Group of companies. The expansion is continuing – the capital of TL30bn will be increased to TL100bn by the end of March. The bank's philosophy now is to treat Cukurova Group subsidiaries on an equal footing with any other company seeking finance, says Mr Bulent Senver, its general manager.

Industry in Cukurova, as elsewhere in Turkey, is burdened by high interest rates. These have hampered new investment, and have made it difficult for companies to stay in the forefront of new technology.

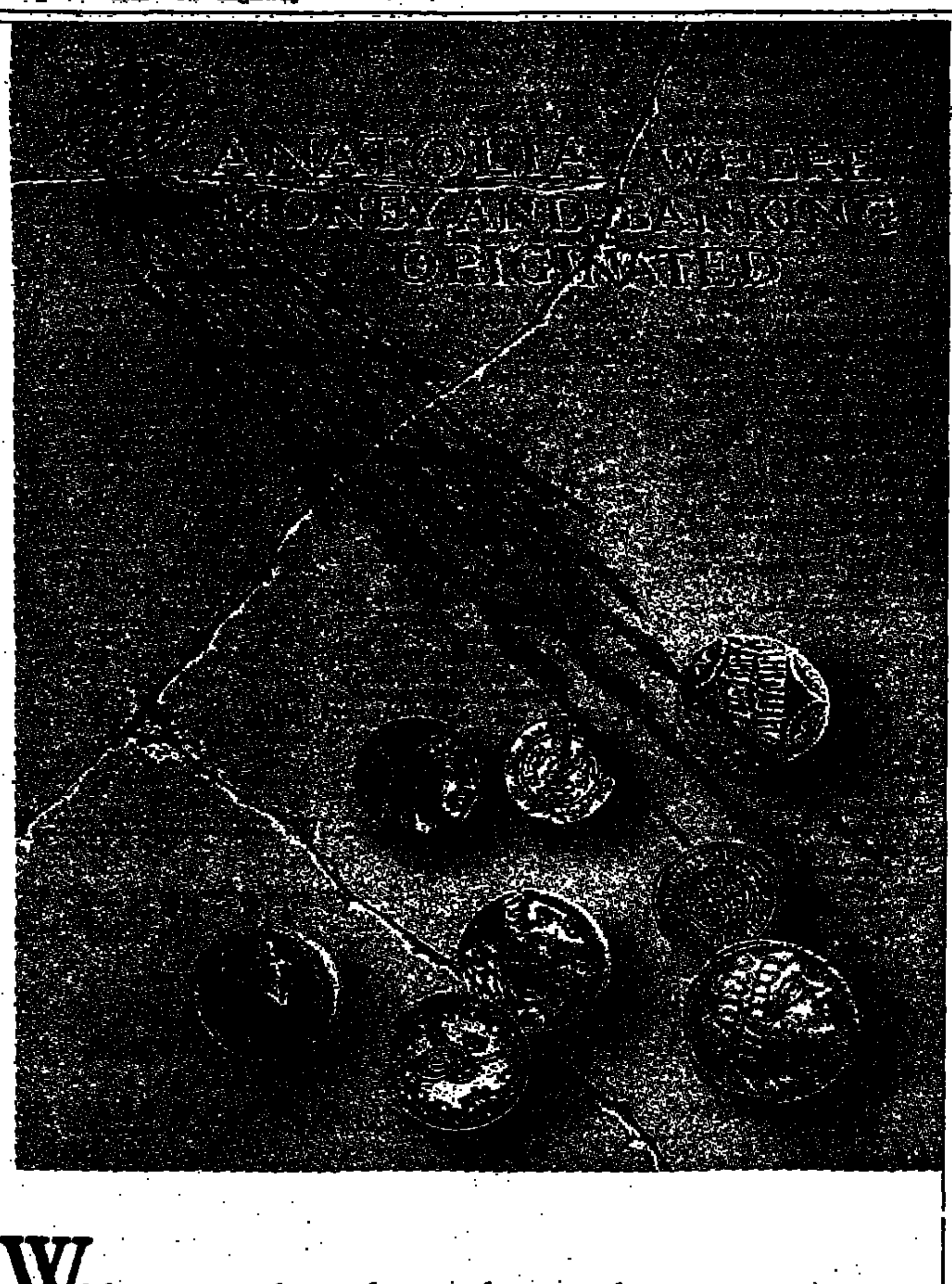
However, businessmen hope commerce and industry will be stimulated by the construction of two free trade zones, one near Mersin port and the other at Yumurtalik. They are among four planned by the Government to serve as beacons for foreign investment and trade. The Mersin zone is furthest advanced – the first project was completed recently, spare parts storage buildings for a US firm. Another 26 schemes are under construction.

Only three foreign firms are among the companies actually building at Mersin, but this does not deter officials. They point out that about 190 rental agreements have been signed, and out of a total 256 applications for space in the zone, 33 have come from foreign companies.

The zone's main activity looks likely to be export and import trade, with a sprinkling of light industrial production in textiles, garments and leatherwork. Two of Turkey's largest leather companies have rented plots. Off-

Continued on Page 2

"Many a society and culture has passed through Anatolia, the cradle of civilizations. These societies sometimes lived in peace and prosperity, and sometimes in war and poverty. The creative imagination of Anatolian cultures, who made wine from grapes, pottery from earth, jewellery and statues of extraordinary beauty from metals, invented the first coin and put it at the service of mankind, around 700 B.C. in Lydia. The difficulty of storing and shipping precious metals utilized as money, led to the storage of the same in temples. Hence, temples were the first banks. On the other hand, another group of people, namely the money-changers also surfaced in Anatolia, especially during Antiquity. The money-changer, the safekeeper of people's precious metals against a collateral, is the first banker. The word 'bank' derives from the word 'banco', meaning the counter of which the money-changers counted money..."



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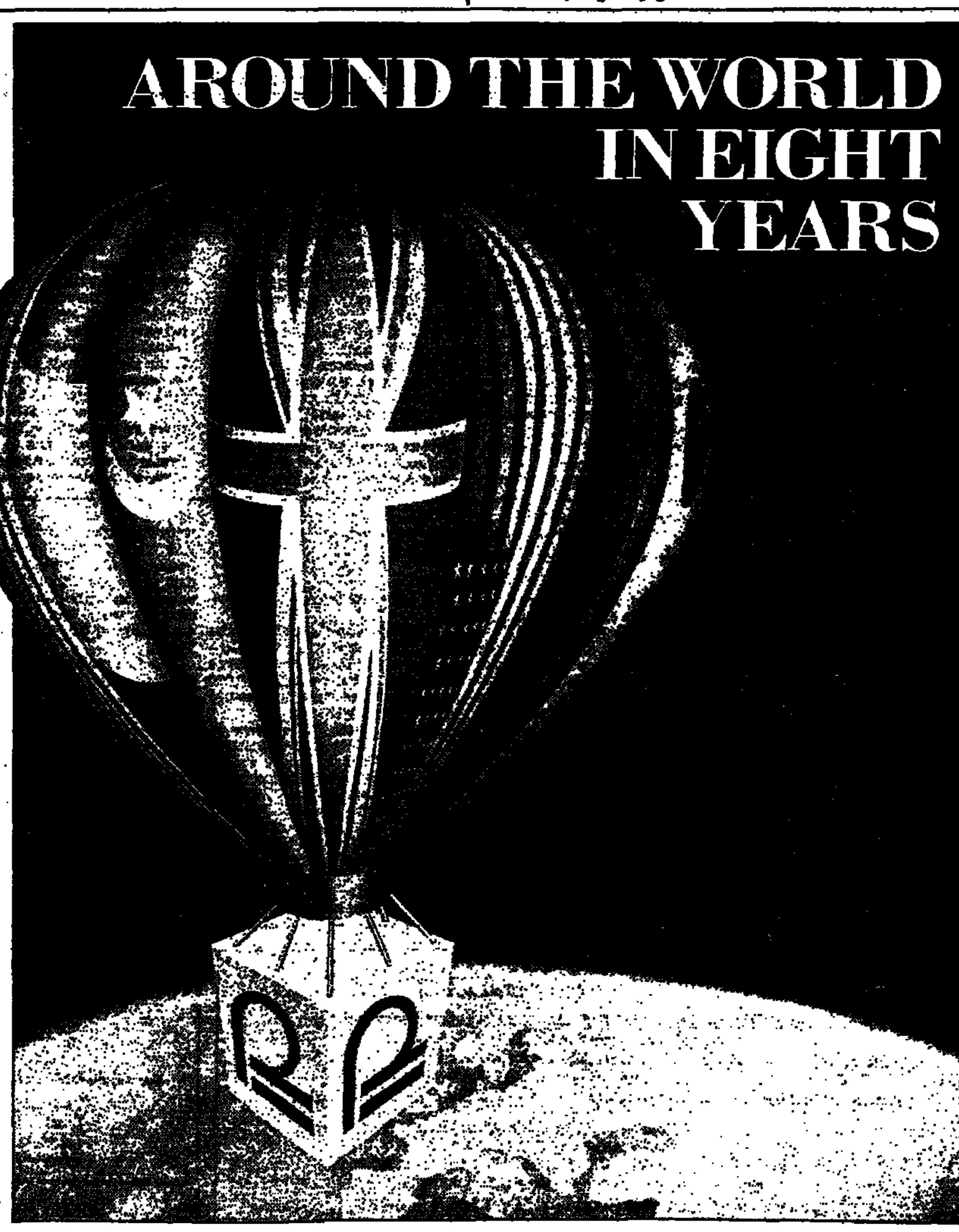

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After Queensland government pulls out of project near Iskenderun...

Setback could delay power station

PRIVATE SECTOR power generation first started in a large way in Turkey with the establishment of Cukurova Elektrik (CE) in the early 1950s. Now, after 18 years of state predominance in electricity production, the liberalising government of Prime Minister Turgut Ozal hopes to sign its first large "build-operate-transfer" (BOT) concession agreement for power station construction and generation – for a project in Cukurova again.

Final negotiations started in late February for a 1,400-MW thermal power station burning imported coal at Gazi near Iskenderun. The estimated $1.5bn scheme has been promoted by a group led by Australia's Sea-Pac Control Services, and was ranked first in autumn 1987 out of three large BOT thermal power projects with which the Government intends to go ahead. However, last-minute second thoughts by Australia's Queensland state government and the federal government in Canada have cast a shadow over the negotiations; neither thinks the exposure demanded of it in the project is warranted by the likely returns.

The BOT method was devised by the Turks as a way of avoiding direct responsibility in the last resort for external debt servicing. It calls for private sector contractors – foreign-led in the case of the major thermal plants – to form special BOT ventures to raise construction finance, build and then operate utilities to pay off construction funding from the proceeds and make profits.

Sea-Pac, a small consulting group, has worked hard to put together a deal which includes such multi-national giants as the US Westinghouse Electric Corporation and Chiyoda Electric Power Company. The former maverick premier of Queensland, Sir Joh Bjelke Petersen, attempted to muscle the project through in Australia, both in the state itself, and in central government for the official export credit cover needed for the Australian share of the financing package.

In an early 1987 agreement, Sir Joh pledged to meet the Turkish Government's minority share in the scheme up to a limit of 30 per cent, but the successor state administration has refused to ratify this. In Canberra, officials of the Export Finance Insurance Corporation and its governing body, the Australian Trade Commission (Austrade) are not happy about the project's viability either.

But for the Iskenderun area, the scheme would be a massive boost to the Government's plans to develop the bay as a mercantile pivot of the eastern Mediterranean. It not only calls for the construction of the power station itself, but for a coal terminal which would have a throughput capacity of 10m tonnes annually of cheap, bulk Australian coal. The station's annual requirement would be 3m tonnes; the remainder would be used as a stockpile to penetrate and develop other Mediterranean and European markets. The scheme has been

A method of avoiding responsibility for external debt servicing

developed to the extent that it includes ordering three 300,000dwt bulk coal vessels.

Turkish officials are adamant that the project will go ahead. They say that the Australian funding share was relatively small and can be replaced. Privately, they admit that restructuring the financing for the deal could lead to substantial delays.

Senior officials at CE do not necessarily view the scheme with any great enthusiasm, since CE holds a charter for electricity generation and distribution for the Cukurova region. The thermal plant will be built close to a planned free trade zone at Yumurtalik, and the logical step is for it to supply the zone with electricity. However, that would breach Cukurova Elektrik's monopoly.

The CE officials say the BOT plant's output should be sold to the state-owned Turkish Electricity Authority (TEK) for use elsewhere in Turkey; CE itself should supply the zone. That could lead to power being supplied through a curiously circuitous route, via the share of CE's sales that already comes from TEK to make up CE's own shortfalls.

The charter has shielded CE in the past from outright government control. This was especially important when TEK itself was formed in 1970 by consolidating disparate private and public sector generating utilities around the country. In the 1970s, however, TEK's monopoly of power station construction prevented CE from further expansion from its then 300 MW capacity. During military rule from 1980-83, this restriction was lifted by legislation which has since been expanded by Mr Ozal's Government.

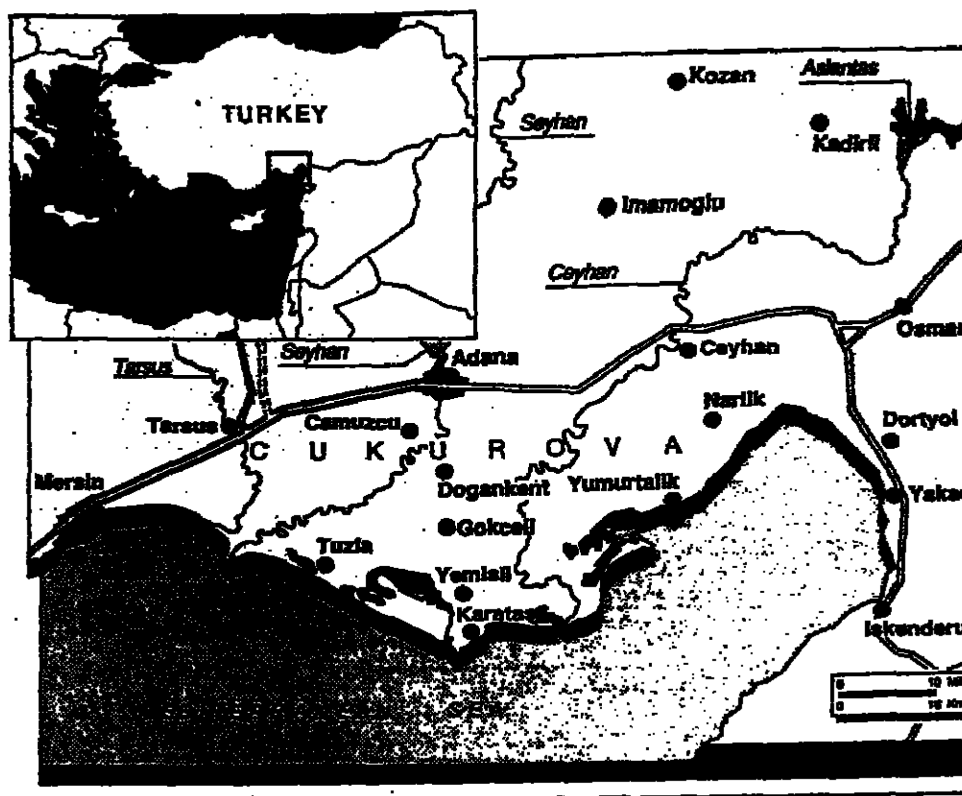
TEK had the largest – but not controlling – shareholding of 25 per cent in the company until last year. Its shares have been transferred to the Mass Housing and Public Participations Fund, a prelude to denationalisation for other state equity holdings in the private sector. Apart from the Government's stake in CE, no shareholder owns more than 10 per cent of the equity.

The company's authorised capital is TL90bn, of which TL15bn is paid-up. Its estimated total sales in 1987 amounted to roughly TL157bn, on which it made a net profit of about TL40bn.

The World Bank's support has also been a bulwark against state encroachment: it has funded the expansion of CE from its establishment in 1953 to run a 40 MW unit in the Seyhan multi-purpose dam scheme – under another liberalising government, that of Prime Minister Mr Adnan Menderes. Its last endowment was a $130m loan towards the construction of the 300 MW Sir hydro-electric dam project on the Ceyhan river, for which construction contracts were awarded in 1986.

The Sir dam, when completed in 1990, will not make CE self-sufficient, and it will still depend on TEK to make up its shortfalls. But CE's longer-term expansion plans include the construction of another hydro-electric dam with a capacity of 150 MW at Duzkesme, also on the Ceyhan river downstream from the Sir project, and the erection of an associated transmission and distribution line network. CE is also participating in the construction by the State Hydraulics Agency (DSI) of a 150 MW dam at Gezende on the Goksu river.

Jim Bodgener



Oil exports

Potential of Baghdad's pipelines

CONVOYS OF tankers grind up and down the roads and highways around Iskenderun Bay, their sides streaked with splashed crude, fuel oil and other hydrocarbon products. Their destinations are the tank farms that squat by the shore, with thin jetties leading out to loading berths, or undersea lines to single-mooring buoys in the blue waters of the bay, writes Jim Bodgener.

These installations are not evidence of a sudden increase in Turkey's domestic oil output. They have been built instead to service Iraq's insatiable need for oil revenues to meet the costs of the Gulf War more than a thousand kilometres away.

The Iraqi choice of Iskenderun Bay as a crude export outlet highlights its potential as a mercantile centre for the eastern Mediterranean. The Government has designated the area for priority industrial development; industrial infrastructure projects already being negotiated with contractors include a 1,400-MW thermal power station to be constructed using the "build-operate-transfer" (BOT) model at Gazi near Iskenderun, and a free trade zone with an associated industrial port at Yumurtalik.

Baghdad's two main oil export pipelines, with a combined daily capacity of 1.5m barrels, terminate in a major installation set into the undulating hills at Yumurtalik to the north-west of the bay. Transit fees for the Iraqi crude have made state pipeline agency Botas one of the wealthiest government departments in Turkey. Revenues in 1987 from the first Iraqi pipeline totalled $241m, which may increase to $261m when earnings from the second – which opened in late summer last year – are taken into account.

However, additional crude exports of around 15,000 barrels a day are first trucked from Iraq over dangerous roads to Turkey's Batman refinery. The crude is then transported through a 20-year-old pipeline operated by Botas to its terminal at Dortyol on the south-east shore. As much again is carried by road from Iraq to a tank farm and export terminal operated by Delta nearby.

An unquantified amount of Iraqi-refined hydrocarbon products from its Baiji refinery pass through local industry's excess storage capacity and export jetties to waiting products vessels. Refined Iraqi hydrocarbons first started arriving at Iskenderun Bay in 1982, and then rapidly increased following the completion of the Baiji refinery in 1983, as Baghdad sought to offset the impact of the oil glut on its crude exports. The flow has increased steadily since then, and the amount is not negligible – one firm, Toros Gubre, handled 2m tonnes of Iraqi hydrocarbon products last year.

Handling Iraq's export needs has given a strong fillip to local industrial development, and the Government's plans to turn Iskenderun Bay into a leading mercantile centre for the eastern Mediterranean. Iran too may build a $2.5-3bn export pipeline to the bay, which will terminate at Dortyol. The 1,900km line will start at Iran's Ahvaz oilfields, run south of Lake Van in Turkey – and for its last stretch through the Amonos mountains will run alongside the Iraqi and Botas lines.

Meeting the costs of the Gulf War

There was a flurry of activity surrounding the 30-year-old scheme in January, which many observers think is only a pawn in the uneasy relations between Ankara and Tehran. It probably will be a much longer-term scheme than Iraqi plans to build a third pipeline through Turkey, with a capacity of 300,000 b/d from its Ainzale field to Batman, thereby cutting out the arduous truck journey on a constantly deteriorating road. Dortyol also may be unsuitable as a terminal for a major export pipeline, not having Yumurtalik's comparatively deep inshore waters.

The third Iraqi line will probably mean Botas' 511km line from Batman will have to be expanded, perhaps by looping sections of it. At present, it is not being used to its full capacity, because domestic output from the fields around Batman and further down the line around Diyarbakir and Sirel is not sufficient to fill it – although domestic output from the south-eastern fields has increased in recent years, and the pipeline's throughput reached record levels in 1987.

Domestic crude produced by Shell and Mobil is shipped from the Botas terminal to the Atas refinery near Mersin. The Iraqi crude together with output by state-owned Turkish Petroleum Corporation goes to a refinery at Izmit in north-west Turkey.

Iskenderun was already an industrial centre before the Iraqi pipelines arrived. Turkey's largest iron and steel complex, Isdemir, was built with Soviet technology and financial assistance between 1970 and 1975, starting up with a capacity of 1.1m tonnes a year (t/y). Since then, the state-owned plant has suffered from teething problems, and was criticised in the early 1980s for poor productivity, technology bottlenecks, overmanning and management inefficiency.

Two and a half years ago, in its drive to improve senior management in the state economic enterprise (SEE) sector, the Government appointed Hakki Gurol, formerly with a private sector foundry in Istanbul, as general manager. Since then, output has risen to an actual 1.7m t/y out of a design capacity of 2.3m t/y, from the mere 500,000 t/y the complex managed in 1983. This has partly been due to rising demand in the domestic economy, particularly for reinforcing bars by the construction industry, and to an increase in exports.

The complex's major export markets are China – which pays in cash – India, Iraq and Iran. Its total turnover last year amounted to about TL430bn (around $500m); however, profits were thin at around $10m because of keen international competition due to the depressed world markets generally, which has kept both domestic and international prices down.

Mr Gurol also attributes the production increases to better training of the workforce in the complex, a policy he introduced soon after his arrival. Each year almost 4,000 people, out of the plant's total employees numbering about 14,800, undergoes training of about three weeks to a month.

However, production bottlenecks remain at Isdemir, and will be tackled through a phased programme of work rather than a single turnkey job.

New investment is needed for example in the reconstruction of converters in the boiler, raw materials preparation and handling, modernisation of the continuous casters and water treatment plants. Mr Gurol says foreign credits will be sought to finance the work. Winning approval for new foreign borrowing that has to be guaranteed by the state may prove difficult, given the new mood of austerity in Ankara about fresh investments and external loans.

Stimulus for industry

Continued from Page 1

shore banking will be another prominent activity in the Mersin zone, officials hope.

An operating company, the Mersin Free Zone Corporation (Mesbas), was established in 1986. The Government has a major stake indirectly in the company through the 33 per cent shareholding of state-owned D B Deniz Nakliyati (Turkish Cargo Lines), the remaining equity is spread as far as possible among private sector institutions, companies and individuals.

The zone at Yumurtalik is less advanced in implementation, but is a $250m project to underpin the development of Iskenderun bay into the leading mercantile centre of the eastern Mediterranean. The US Bechtel Corporation was given a mandate in 1986 to develop the project on a "build-operate-transfer" (BOT) basis. Work could start in June on the construction of infrastructure on the 5 sq km site, if Bechtel and its Japanese, South Korean and Dutch partners can arrange financing.

The Yumurtalik free trade zone will serve as a distribution centre for the eastern Mediterranean, Iraq and Iran. It will deal with heavy bulk goods and agricultural produce. Chemical and refining schemes may also be included, as the zone is close to the terminal of Iraq's export pipelines.

In addition, to the north of the Yumurtalik free zone, the Government is building a large industrial area, covering 11,000 hectares. Places will be offered to industry this year.

Another boost to industry in the region when a construction contract finally is signed will be the fourth fertiliser plant planned by Tagas near Mersin. This is a $230m scheme between Turkish, Kuwaiti, Tunisian and Arab interests to fill a gap in local fertiliser production for top spreads. However, progress has been slow in getting the project off the ground: construction tenders were first invited in 1986. Difficulties in raising construction finance led to rebidding earlier this year, even though the consortium initially chosen to carry out the work has strong links with some of the shareholders in Tagas.

The two existing private sector fertiliser plants, Akdeniz Gubre and Toros Fertiliser, each supply around a quarter of total domestic demand for fertiliser. However, both have both either overhauled their plants or expanded them recently.

One reason is that the previous monopoly held by state organisations for fertiliser distribution and sales was opened up to the private sector in 1986. Another is the demand expected to be created by the giant south-east Anatolia GAP irrigation scheme near the Syrian border.

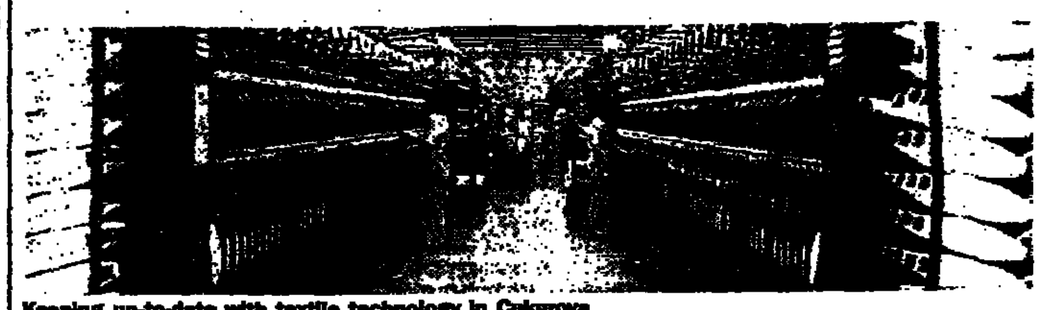
Toros Gubre is building a jetty able to handle four ships at a time with a yearly discharge of 50,000 tonnes. Nearby it plans to construct handling facilities for imported fertiliser, including bagging and storage units, to handle a throughput of 10m tonnes a year. Akdeniz Gubre has just completed a programme to get rid of bottlenecks.

Cukurova's industry faces similar problems endured countrywide, and conditions like high interest rates are not likely to improve significantly in the near future. But the region's natural entrepreneurial vitality has overcome worse difficulties in the past, and the long-term avenues for continued growth seem fair.

Jim Bodgener

Cotton and textiles

Case for joining EC



Keeping up-to-date with textile technology in Cukurova

COTTON AND textiles are the mainstays of both agriculture and industry in Cukurova. They also were the genesis in the mid-century of many of Turkey's leading industrial groupings, in particular the Cukurova and Sabanci groups.

Textiles and cotton yarn have the largest share of exports from the region, and go to European and North American markets, and to neighbouring Middle East countries. Exporters complain, however, of quota restrictions on categories of textiles in the EC and US markets – were these not in force, the region could export twice as much, they say. For that reason, the textile lobby in Cukurova supports Turkey's application for full EC membership, and the protectionist barriers it will overcome.

Exports are made in bulk for the most part, partly because of the size of some factories, like Sasa, a polyester manufacturing complex owned by the Sabanci group outside Adana on the road to Mersin. Other big plants are Guney Sanayii, Koniteks, Cukobirlik, plants owned by the state textile agency Sumerbank, and Sumertekstil, a concern hived off Sumerbank. Some of these plants manufacture only yarn and cloth, others garments – like Koniteks, which makes Lee Cooper jeans – and some are integrated complexes.

The cotton produced in Cukurova is of medium staple, suitable for medium yarns and textiles. It is not as expensive as cotton produced in the Izmir region or in Egypt, but nevertheless is of good quality.

The textile industry's origins in Cukurova date back to Ottoman times at the turn of the century. Proximity to cheap raw materials provided the spur – and these beginnings were built on by state enterprise under the Republic from the 1920s onwards. However, the local industry really started to take off after 1950 under the impetus of private investment from family concerns like the Sabanci group. These textile holdings formed the nucleus for later diversification.

When the idea that Turkey should become a member of the EC was first mooted in the 1960s, it led to a second wave of investment in textiles to develop Cukurova into a future EC textile centre. During this period, investors by and large set up cotton spinning mills which later developed into integrated mills.

An example is Mensa, which started out as a family-owned cotton spinning enterprise, then went public in 1974, and developed into a weaving, finishing and printing combine in the late 1970s. By then, the firm was controlled by Turkiye Is Bankasi, which used it as a holding company to consolidate other textile interests, including Guney Sanayii.

A structural imbalance in the textile industry in Cukurova – and country-wide – is its heavy dependence, if not over-dependence, on exports. Turkey's total fibre-processing capacity is an estimated 850,000 tonnes a year, out of which exports of textiles and ready-made garments total more than 400,000. If export markets slumped, the industry would be ruined.

Protectionism in Europe and North America is a common complaint, but more serious could be the growing competition from the once-dominant textile nations of the world: the UK, the US and to some extent, Japan. These steadily lost ground between 1965 and 1975 to emergent textile powers in the Far East and South-East Asia. The newcomers invested in more modern technology than their old world rivals.

However, between 1975 and 1985, the centre of activity gradually shifted back to the developed world, where re-investment in capital intensive machinery restored a competitive edge. Now Turkish manufacturers are looking with some apprehension to the next decade.

One company which has sought to keep in the forefront of new technology is Sasa. Its founder, Ozdemir Sabanci, set his heart on establishing a polyester company in Cukurova when a student in London in the 1960s. At that time, polyester technology was still very new. Sasa started up in 1968 with an output of 5,000 tonnes a year, and now produces 20 times that. Its turnover last year was roughly TL200bn (about $175m). Exports to 27 different countries totalled about $105m.

Sumerbank has two plants in Adana, one a cotton ginning factory, and the other making garments. Other manufacturers say the plants are relatively modern and efficient, running counter to the state industrial sector's general reputation for obsolescence and mismanagement. Sumerbank is one of the first two fully-fledged state economic enterprises selected by the Government for its privatisation programme – the belief in Adana is that Sumerbank's local subsidiaries could be sold easily.

In the long term, many of Cukurova's textile companies may up stakes and move to south-east Anatolia, to be near the giant south-east Anatolia GAP project, which aims with irrigation to transform a massive arid area near the Syrian border into an agricultural dynamo.

At present, Turkey produces about 580,000 tonnes of cotton, two-thirds of which comes from the Adana region. However, the GAP area will produce 680,000 tonnes of cotton. It may make more commercial sense for companies to build plants closer to their source of raw material than transport it to Cukurova.

Cotton growing in Cukurova may also suffer from the GAP project, since it depends during the three-month picking season on about 200,000-300,000 migrant workers from the GAP area. These will probably not need to travel so far in search of employment when the GAP project really gets under way in the 1990s.

Jim Bodgener

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Fruit and vegetables in abundance at a wholesalers' market

Thomas Goltz

Drainage works have transformed the region's agricultural landscape

Hopes pinned on soya beans

THE RICH alluvial soil of the Cukurova plain produces an abundance of crops that have made the region the country's agricultural heartland. On either side of the straight roads that traverse the plain, the open fields stretch into the distance, interspersed with orchards, farmhouses and villages.

But it was not always so – only comparatively recently has a programme of drainage works raised productivity to such an extent. Prior to the 1950s, the run-off from the Toros mountains that encircle the plain often turned it into a muddy swamp. The main farming activity was rearing livestock.

The Government in the early 1950s began the Seyhan multi-purpose irrigation project. The World Bank-supported scheme has been a pioneering development project of its kind, and a model for many others since around the world.

It started with the construction of levees along the main rivers of the lower Seyhan basin, the Seyhan itself, the Ceyhan and the Berdan. This was followed by a dam to the north of Adana, completed in 1956. A network of irrigation canals has also been built.

The total potential irrigable area now covers about 180,000 hectares, of which 135,000 hectares is currently under irrigation, says Professor Osman Tekinel, head of the agricultural faculty at Cukurova University, outside Adana, and vice-rector of the university itself. The result has been totally to change the emphasis of farming in the area, from livestock to arable agriculture, although the livestock sector is still buoyant.

Today, farms range from small to large, and there is some danger that sub-division through inheritance could lead to marginal subsistence holdings. Most of the farms are watered through state irrigation canals, although there is a considerable degree of sprinkler irrigation according to the particular needs of different crops. Privately owned holdings predominate, although there are two medium-sized state farms.

The university has played a central role through its extension work in all this change. It reaches farmers through regular television and radio programmes, conferences, and feed-back and instruction seminars for village extension workers.

Originally, it was envisaged that farmers would produce a broad mix of crops, but soon cotton predominated, because of demand for it as a raw material export and from the textile factories being built in Adana and Mersin. Today, cotton-growing takes up 75 to 90 per cent of the total cultivated area.

That has had some unfortunate side-effects. Firstly, it has resulted in a greater consumption of water than at first envisaged which, combined with farmers' tendency to over-irrigate, has produced water shortages at the southernmost furthest points from the dam.

Secondly, the over-irrigation often leads to the formation of a hard pan about 25cm deep in the soil which has to be broken up by tractor-drawn rippers if cotton roots are to penetrate deep enough. Studies have also demonstrated that groundwater levels are dangerously high, over 54 per cent of the area requiring further intensive drainage work.

Cukurova also produces wheat, citrus fruits and vegetables in abundance. An expanding export crop is strawberries, but in general fruit and vegetable packaging for export has not grown as fast as might be expected for a country with prime markets in its Middle East neighbours.

Mersin, with its port, is the main centre for fruit and vegetable packaging. One of the main companies is Mena, bought about two years ago by Polly Peck International, owned by Turkish-Cypriot entrepreneur Asil Nadir.

The way in which Arab merchants make their purchases is one reason for the slow growth of the packing industry. They fill refrigerator trucks as if at a bazaar indiscriminately with fruit and vegetables of all kinds, rather than buying one type or another in bulk. This has deleterious effects, since different types of fruit and vegetable require different freezing temperatures – and lumping apples together with onions, for example, hardly improves their flavour.

Lumping apples together with onions hardly improves their flavour

The Arab merchants who buy in this way mainly come across the border at Antakya, or buy their lorry-loads at border markets. Many of their transactions go unrecorded in official export statistics, but they supply markets in Syria, Jordan and Kuwait. Trade with Iran and Iraq is conducted mostly through official clearing arrangements, although recently Iraq has permitted its private sector to engage in more external transactions.

All this could change again radically when the south-east Anatolia GAP project, near the Syrian border to the east, really gets under way. From 1991, when the giant Ataturk dam will be completed – and if laggardly construction work on the associated Urfa irrigation tunnels can be speeded up – about 1.8m hectares of land will gradually be brought under irrigation, 10 times more than in Cukurova.

The dry-land farming at present practised in the GAP region is not labour-intensive, but large numbers of workers will be needed for the irrigated farming to be introduced in the 1990s. This will absorb the 200,000-300,000 migrant workers who at present come to the Cukurova region every year for cotton picking. It could mean another transformation of farming in Cukurova, away from the predominance of cotton towards the pattern of crops envisaged in the 1950s based on greater mechanisation.

Cotton's place might be filled by soya beans, which has been introduced as a second crop. Turkey's cooking oil import requirements every second year when its olives do not produce are about 250,000 tonnes. Soya bean oil content is about 18 per cent, and if 1m tonnes annually can be grown in Cukurova, that would be more than enough to cover import requirements.

Another potential avenue is seed production, deregulated by the state three years ago. Bakirli Agricultural Enterprises, one of the largest farms in Cukurova, has gone into soya seed production. It is now able to meet a quarter of the country's total requirements. US seed companies have formed several joint ventures recently, concentrating on crops already grown in Cukurova.

Jim Bodgener

Basic Facts

THOUGH IT may seem out of the way, tucked down in the eastern Mediterranean, Cukurova is fairly easy to get to and can be covered in a few days' visit. Its main towns and cities are linked by passable highways, even if these are sometimes jammed by traffic. The newcomer might be best advised to base himself in Adana, since most places are within a 90-minute drive from the city, writes Jim Bodgener.

From Istanbul and Ankara the best way to travel to Adana is by air as the city's hotels are only three or four miles by taxi from the airport. There are usually two flights a day to and from Adana, operated by state-owned Turk Hava Yollari (Turkish Airlines). The other option, by road in bus or taxi, is long and tiring – and, for those unused to Turkish driving, unnerving if not downright terrifying.

Car hire is available, but those with little time to spare – probably most visiting businessmen – might do better to hire a driver with car, or a taxi. Most cab drivers will be prepared to negotiate a daily rate, which at present (though not for long, given high inflation in Turkey) should not exceed TL120,000 (about $100). A one-way taxi ride between Adana and Mersin costs about TL20,000 to 30,000. The highway between Mersin and Adana becomes very congested at rush hours, a point to remember if there is a flight to catch, for Mersin has no airport.

Adana, with a population of more than 2m, is Turkey's fifth largest city and Cukurova's commercial and industrial centre. Yet in the latter role it is shadowed by Mersin, the regional port and Turkey's largest Mediterranean harbour. Mersin's population numbers about 250,000; other urban centres are Tarsus, Ceyhan and Iskenderun (formerly Alexandretta).

Unfortunately, there is not much choice when it comes to international business-class hotels. Adana has the best: the Buyuk Surmeli (170 rooms, Ozler Caddesi, tel: Adana 21944, telex: 62601, fax: 121945). Down the street and cheaper, but with fewer amenities, is the Zaimoglu Hotel (tel: 113401, telex: 62875). Otherwise, there is the Divan (Innonu Caddesi, tel: 22273).

The sea-front Mersin Oteli is the port's best (120 rooms, Camii Seraf Mah, tel: 12200, telex 67180). Or you could try the Altihan (Istiklal Caddesi, 90 rooms, tel: 24153). Best hotel in Iskenderun is reputedly the Hatalyi (Osmangazi Caddesi, tel: 11551). But those who might need only one night in Iskenderun are advised to book into an Adana hotel instead; apart from Iskenderun port, most of the large companies and industries are to be found along the road to Iskenderun or at Yumurtalik at the north-west corner of Iskenderun bay, and so can be visited *en route*.

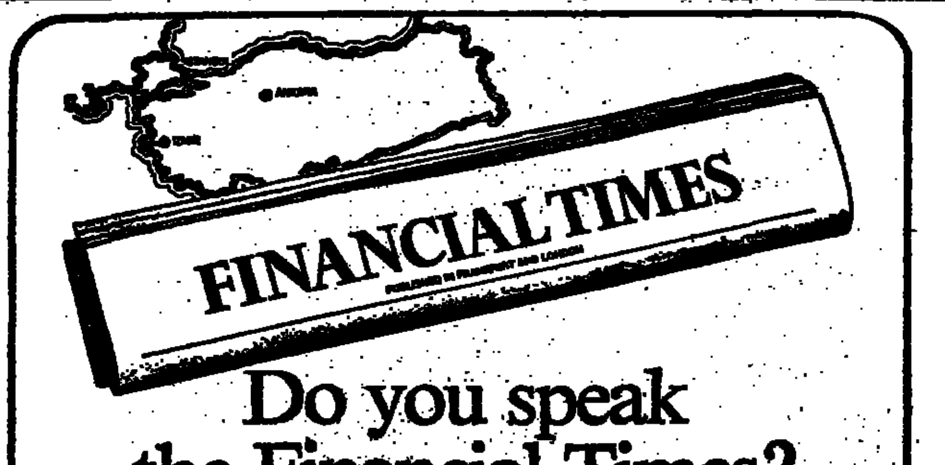
The region's climate is mild in winter, but it can grow uncomfortably cold the further inland one travels. At the height of summer, however, it becomes extremely hot and torrid, making air-conditioning a prime criterion in hotel choice. In the summer, the better-off among Cukurova's inhabitants head for the high pastures of the surrounding Taurus mountains.

Eating out is the best entertainment the region has to offer. Cukurova, and particularly Adana, is famed for its spicy and pungent variations on typical Turkish fare, and no-one should depart without sampling an Iskender kebab. Tandir, where the succulent mutton falls off the bone, is another favourite.

In Adana, the Mesut serves a reasonable selection of Turkish dishes while the Ombasiler is a long-established alternative. About seven to eight kilometres outside the city, along the main E5 highway towards Mersin, the Kavi has a European menu. In Mersin, a stone's throw from the Mersin Oteli are, to the left along the sea-front, the Liman, a seafood restaurant, and to the right, the Fuar Lokanta.

For those with some time to spare, Cukurova as a gateway between Europe, Asia Minor and the Middle East is steeped in the powerplays of history. Ottoman fortifications rest on Roman foundations; Crusader castles overlook the plains from the foothills of the mountains.

On Adana's eastern outskirts, 16 of the 21 arches of the Taskpru (stone bridge) spanning the sluggish Seyhan river date from the late Roman and early Byzantine empires. Across it have poured invaders from both east and west; it is a fitting symbol of Cukurova's pivotal location in the eastern Mediterranean, of which the twin Iraqi oil pipelines terminating in Iskenderun bay are but the latest accretion.



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Tourism

In the steps of Alexander

THE COLD, bleak April weather on the high, Anatolian plateau changed during the descent from the Taurus mountains through the Cilician Gates. The prospect of covering some of the ground of Alexander the Great with the promise of Mediterranean warmth was immensely cheering.

Turning west to Tarsus, we looked forward to seeing some of the old city, but most of it is 15 feet under the present level. It is still possible to see St Paul's Well, supposed to have formed part of the disciple's family home. The custodian, happy to show people round in the quiet season, unlocked the cover and, drawing a bucketful of ice-cold water from deep below, filled a cup and offered it.

Cleopatra's Gate can be seen, for it was to Tarsus that she came, gliding up the Cydnus river for her first meeting with Antony. In *Antony and Cleopatra*, Enobarbus describes the magnificence of her appearance to Agrippa:

The barge she sat in, like a burnished throne,
Burned on the river. The poop is beaten gold.

The Cydnus river required regular dredging by engineers of the time to keep it open to the sea, and without that, it is now but a stream.

Cyrus, an earlier visitor in about 400 BC, stayed here for 20 days, allowing his 10,000 men to sack the place. These were the same 10,000 whom Xenophon later led on the march back north to the Black Sea.

Further east, Adana, Turkey's fourth largest city, bustles with life. Alexander marched through it, but the Romans and, much later, the Seljuks, settled and built here. Many interesting buildings remain. The Tas Kopru, a 14-arched, cobbled bridge with a long, slow hump, built by Hadrian, is still used for modern traffic. There are said to be lions in relief on it, but research failed to find them.

The Ulu Camii/Great Mosque is worth a visit. It is a particularly good example of the crusty, strongly decorated Seljuk style. During Ramazan, rugs were laid on the verandah for an overspill congregation to join in prayers. The Ottoman Emperor, Suleyman, currently the subject of an exhibition at the British Museum, may have prayed here when he visited Adana in 1536.

The Cydnus river, up which Cleopatra came to meet Antony, now requires regular dredging to keep it open to the sea

In the market quarter, the 16th century *hamam* baths have superb walls and basins of marble. They are heated by a charcoal fire in an outhouse.

Thirty miles south of the city, across the alluvial plain enriched by the silt of the Seyhan and Ceyhan rivers, lies Karatas. The weather had become sultry, but a thunder and hailstorm had cleared the air. The scent of orange blossom drifted into the open car.

Yashar Kemal, the Nobel prize-winning novelist brought up in a village on the edge of the plain, sees Cukurova as a place of material and spiritual fulfilment where the rich soil provides opportunities for a better quality of life. Slim Mehmed, one of Kemal's heroes, dreamt of having land in the plain where the same ground could crop four times in one season.

Oranges were being harvested from the groves. Five kilos can be bought direct from the grower at the side of the road for 40p. It was too early for the cotton, which makes those luxurious Turkish towels.

A great deal of bird life is evident. Pretty, brightly coloured rollers, elegant egrets and soaring eagles give a display of flying right overhead, all looking like the illustrations in bird books.

Karatas itself was a pleasant surprise. Not the anticipated industrialised port, more a busy fishing harbour. Obviously in the season it is a small resort. Uphill from the harbour was a restaurant and modest hotels, while a low-built hotel complex was being developed discreetly round the corner at sea level.

A group of people was having an open-air Turkish ceilidh in mid-afternoon. They had brought out rugs and chairs and made a welcoming space for the visitors. Twenty were dancing, led by an accomplished dancer waving the traditional silk scarf in his right hand. The music was a mixture – a traditional drummer and a singer with an amplifier. Eager boys were selling bread rings among the spectators.

It was very quiet in the plain driving back. Minibuses, and the occasional bus, seemed to be the only traffic, taking people to and from work and the market in Adana. A travelling shopkeeper with pony and cart was making slow rounds of the villages, trading in ironmongery, mostly kitchen goods.

Meze and a spiced, peppery Adana kebab, with plenty of fresh, Cukurova vegetables, salads and fruit, seemed an appropriate end to a good day. With wine, coffee and *tatlilar* sweets, the bill came to less than £4 a head.

Adana is sufficiently large and thriving to support many hotels. The one we chose housed a group of young ladies following the oldest profession. Sitting in the American bar in the evenings drinking large *rakis*, we caused much amusement. However the hotel reception staff were friendly and turned out on the last morning to help load the car and give a warm send-off.

On to Misis, knowing that it was also called Mopsuestia, but ignorant of its modern name of Yakapinar, so it was not easy to find. The bridge over the Ceyhan river there, although it has been on the main trading route from Syria and the East for millennia, is exceptionally well preserved. Of course, camels and ponies do not cause the same wear and tear as juggernauts. On the further bank the remains of a caravanserai straddle the approach road to the bridge. Perhaps it had once housed defences against attack from the east.

The Ammanos mountains were closing in as the road turned sharply south, skirting the Gulf of Iskenderun/Alexandretta, towards Syria, leaving Cukurova behind.

Ann and Barry Rosen

Housing

Better deal for the squatters

THE OUTLYING sprawl of squatter housing – or *gecekondu* as it is known in Turkey – backs up on the city centre in Adana and invades spaces between high-rise flats and office blocks. The city's middle classes, in their French Riviera-style apartment blocks, shudder disdainfully at these crudely-built blockwork, tile brick and concrete dwellings. Yet they are no mere hovels, and are far more substantial than their shanty-town equivalents in other Third World cities like Accra, Lagos or Calcutta.

Many sport television aerials, have vine-covered roof patios, and the streets between them are alive with gossip, washing lines and children playing. Capitalism has taken hold – landlords often own several *gecekondus* to supplement earnings from underemployment as taxi drivers, kiosk vendors and street hawkers.

Gecekondu settlements are the village market-places in the cities of a teeming, informal economy – as big if not larger than the formal sector, which acts upon its unregulated other half with a bellows effect. More often than not, the settlements are grouped around rural ethnicity and religious leanings, towards which migrants from the countryside naturally gravitate.

Transactions, often by barter in kind, fall outside the pale of measurable statistics. The Government, for example, would dearly like to bring into the informal economy the illiquid savings in gold, estimated at up to $45bn and more, hoarded under *gecekondu* beds.

In Turkish *gecekondu* means "built-at-night," or illegally. However, it is a common misconception in Turkey that given title to land, any home erected on it – be it only four walls and a roof – is inviolable against the planning laws. It is rather the case that few municipalities in the past have dared to move against the mass of voters housed in *gecekondus* – the idea has become enshrined in popular lore by planning default instead.

Turkey's cities in population terms are growing fast, at rates of up to 6 per cent annually, much faster than the rest of the country. The problem of coping with this expansion is particularly acute in Cukurova. In the five main urban centres – Adana, Tarsus, Mersin, Iskenderun and Ceyhan – the *gecekondu* population already totals around 1.2m, more than a quarter of the area's total inhabitants, and is growing daily. Officials estimate that by 2010 it will have doubled.

The '*gecekondu*' population is more than a quarter of the area's inhabitants

This rapid expansion has outstripped the ability of Turkey's old system of town planning and municipal finances to cope with it. And the *gecekondus*, for all their sound foundations, lack basic essential facilities like sanitation and water.

The reforming government of Prime Minister Turgut Ozal – bent on completely overhauling the creaking structure of Turkey's bureaucracy and state enterprise sector – aims to devolve far more autonomy in financial and planning matters on local authorities.

At the apex of the municipal finance system is Iller Bank (provincial bank), which both allocates funds for and approves schemes submitted to it by municipalities. With the advice of the World Bank, the government now wants to turn the fusty institution into a development bank *per se*, and leave the drafting and execution of public works projects much more to municipalities. Not unnaturally, that has caused rifts within Iller Bank between the financiers and the technicians who design most large-scale municipal projects.

But the municipalities themselves have to become competent in proper accounting, technical and management systems, if they are to come to grips with problems like *gecekondu* housing. A pilot project to look at these requirements started in Cukurova in 1985 and it has now expanded into a fully-fledged programme of institution building and public works in the five main urban centres, supported by a $120m World Bank loan and estimated to cost a total of $467.3m.

The remaining funds for the scheme will be sourced from Iller Bank ($104.6m), electricity and telecommunications authorities ($50.5m), the *gecekondu* beneficiaries themselves ($47.8m), the government ($47m), and other government departments and funds.

Coopers & Lybrand, with its local subsidiary, Guven Coopers & Lybrand, and Denmark's Cowiconsult, were appointed in January to carry out an overall project review, advise on implementation, and monitor progress by the organisation set up to implement the scheme. Their contract with Iller Bank will run for a year, with an option to extend it at the end of the first 12 months for another two years.

The programme of works will not require wholesale destruction of the *gecekondu* areas and rehousing the entire population in local authority estates. Wherever possible, sewerage, water and electricity will be extended to existing *gecekondu* areas, a less costly operation. That will give a boost to the local construction industry, and also provide steady employment for thousands. However, some *gecekondu* areas which are too dilapidated and congested will have to be demolished and rebuilt.

The scheme aims to fund part of the investment programmes in basic engineering services of the municipalities involved. Across a broad front, it will address itself to three basic areas.

The first comprises infrastructure for housing on tracts of unbuilt-on land, management of private housing development and, in the *gecekondu* areas, provision of infrastructure and the regularisation of land tenure systems. These projects will help arrest the spread of *gecekondu* homes, while at the same time upgrading services to about 90,000 existing households, and installing services for around 86,000 new ones.

The second basic area is the provision of trunk services like sewerage, water, drainage, roads and solid waste management. The third is institution building within the municipalities.

Overall, there will be about 17 major civil works packages valued at upwards of $2.5m, and with an aggregate value of $51m. Contracts for the *gecekondu* areas will be smaller, since they will be at dispersed locations, and carried out at different times.

If successful, the approach developed in Cukurova will be applied to other cities and towns in Turkey – both Istanbul and Ankara have mushrooming *gecekondu* populations, for example. The World Bank, too, is watching the project keenly to see whether it might be a useful model elsewhere in the developing world.

Jim Bodgener

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Economic swans who don't paddle

ANTHONY HARRIS
in Washington

"BUSH versus Dukakis? There isn't enough caffeine in all America to keep us awake." This is rather an unkind little crack about two serious and competent men, but it seems to be well aimed. Since the Massachusetts Governor has regained his *momentum* in the primaries, national politics have almost vanished from the news bulletins. This is not because any other serious news has pushed the campaign aside; the urgent topics have been the new baseball season, the golf Masters and whether the blossom would last until the cherry blossom parade on Saturday (it didn't).

Nothing odd about this, you might think, except that this is the week in which the meeting of the IMF Interim Committee brings all the most important finance ministers and central bank governors to Washington. In other years this event has generated a good deal of excitement *in the* markets and at least some speculation on the networks. The best we have been able to manage this time is an unconfirmed report that the Group of Seven might repeat the rather anodyne statement it made in December in support of the dollar.

For most of last year the fate of the world was supposed to hinge on a great effort of international co-operation. The correction of the US trade deficit, it was said, would create such a hole in world demand that it would cause an international recession, or worse.

The IMF was appointed as keeper *of the world's* economic conscience, producing objective indicators to show whether national policies were adequately neighbourly.

Mr James Baker, the US Treasury Secretary, and his French opposite number, Mr Edouard Balladur, needed no such guidance to make them certain that German policy was thoroughly unfriendly, and they were openly rude about it. The stock market crash of last October was a sharp lesson in international good manners, so the suspension of insults since then needs no explaining; but since it also suggested that the world economy was even more fragile than had been supposed, you might have expected the ministers to try harder than ever to get their policies right. They would have modelled their conduct on the metaphoric swan, calm and graceful on the surface, but paddling away like mad underneath. Not a bit of it. One gets a reasonably good view of webbed feet in Washington and they have not been paddling.

One reason is that the crash reminded ministers that they are not the only people who control the economic climate. The crash now seems a blessing in disguise. *What is less discussed is the fact* that ministers have also lost a lot of their earlier faith in policy co-ordination and even in the objective indicators which are supposed to make it possible.

At the moment, for example, both the *IMF* and *the OECD, the* twin guardians of official objectivity, are forecasting that any improvement in the US trade account will peter out some time next year, and the whole dollar crisis will be replayed. A growing number of quite respectable observers simply think that these forecasts are wrong. This looks a pretty safe judgement to anyone who studies a fascinating new report* from the Brookings Institution, which discusses the problems of making policy in an interdependent world.

What jumps out at a first skim *through it is an exercise* which was surely long overdue (except that it involved a great deal of hard work and official computer time): a test run of all the most prestigious world economic models on the results of some fairly simple events: dollar depreciation, monetary and fiscal expansion inside or outside the US, and so on.

All of these models, you must remember, give quite a plausible account of the past; that is how economic models are developed. You might expect, then, that they would also give fairly similar projections of the near future; yet the results are chaotic. Not only do the various models produce quite different estimates of the size and timing of the effects of policy changes, but sometimes they differ even over the direction. It is difficult to navigate if you are rather unsure about your starting point, and even vaguer about how much effect any given action *will have on your speed* and direction. It becomes quite impossible if you do not know the difference between the accelerator and the brake.

None of this means that the exercise was a waste of time; it means simply that it tells us a great deal more about economic models than it does about the *world economy. Most models are* based on some idea of how economies work, and these ideologies – monetarist, international monetarist, Keynesian and the rest – lead to different results. They give a plausible account of the past because the process of estimating the parameters in a model makes it plausible.

Even primitive ideas, like the four elements of medieval science, can be made to serve. Highly sophisticated systems, like Newtonian mechanics, can still prove wrong. It is also possible to produce an economic *model which contains no* ideology at all. This approach, known as vector auto-regression, works rather like giant computer models of the weather; VAR forecasts, like modern weather forecasts, are unreliable, but a great deal better than folklore assisted by a wet finger held up to the wind.

Unfortunately VAR models are almost useless for policy-makers, because a model of the entire system contains an implicit forecast of what policy makers are likely to do, but cannot tell you what this forecast is, so you cannot tell whether an ideal policy would be different from the policy which governments are actually pursuing. The biggest technical difficulty in producing policy models is to use measurement from a past in which policies constantly change to project a theoretic future "assuming unchanged policies"; but it has to be done if any advice is to come out at the end *of the process.*

There is one more problem: *international policies have to be* what economists call Pareto-optimal; that is to say, they must produce benefits for the world without imposing costs on any individual country. This is far harder than making national pol*icies, where the only constraint is* that there will not be enough losers to vote the government out of office, and would demand high confidence in the underlying analysis. The actual history of international policy, as Christopher Higgins of the Australian Treasury points out in the book, does not inspire such confidence: it is a history of learning from large mistakes. As the aircraft designer said after the crash: "Ah well, back to the drawing board."

**Empirical Macroeconomics for Interdependent Economies. Brookings Institution, 1775 Massachusetts Avenue, Washington DC 20036*

Judges can avert prison chaos

IT IS the courts, not the prison service, which determine the volume and flow of the intake of persons into our prisons, both the convicted and unconvicted. No prison governor can put up a sign, no room at the inn, although the Prison Officers' Association was able to defy court orders through industrial action for some months in 1981. This led to prisoners being held in police cells, an unsatisfactory practice that has continued throughout the mid-1980s with the ceaseless rise in the prison population.

The prison service is able to relieve the pressure of its existing official accommodation for 45,000 prisoners only by the use *of parole and remission. But nei*ther of those devices has reduced the numbers sufficiently to manageable proportions. Overcrowding has persisted, infecting every facet of prison life. The early release of prisoners has simply not kept pace with the number being sent inside by the courts. Parole is being granted less freely than in earlier years.

The prison statistics over the last decade tell their own depressing tale of persistent crises due to overcrowding. *Between 1974 and 1984 the daily*

JUSTINIAN

average prison population grew by about 600 to 700 a year. The figure would have been much higher but for a movement in the courts towards shorter sentences, stimulated in 1980 by two notable decisions by Lord Lane, shortly after he became Lord Chief Justice. Circuit judges sitting in the Crown courts temporarily caught the mood that shorter sentences would do just as well in terms of punishment as longer ones. The *effect was a reduction in the* daily average prison population of more than 2,000. Since 1984 that trend has been put into reverse gear. In that year the average daily figure was 43,300; three years later it was 49,000 despite an increase in remission from one third to one half for persons sentenced to 12 months imprisonment or less.

The Prison Department's predictions are even more worrying than the present crisis. The average population predicted for this year is 51,500, which is 6,500 more than the certified normal accommodation. For 1989 the Department is planning for a peak popu*lation of 56,500* which will be 10,200 more than the accommodation which is likely to be available then. All this means continued *overcrowding and an* increasing and unacceptable reliance on police cells. Since it takes roughly five years from design to completion to bring a new prison into operation, the Home Secretary is desperately looking for some more immediate solution to the current problem.

Two possible avenues of action open up for him. The first is to look to the private sector of the construction industry *to build* and manage prisons on behalf of the Government. Philosophically and practically the problems of running a prison for convicted prisoners by a private company are formidable, if not politically impossible. But the Home Secretary is known to favour the privatisation of remand establishments for unconvicted prisoners. He has convinced himself that the State has not the same public responsibility for those who have not yet been found guilty but *whom the courts have decided* are not safe to be out on bail. A prisoner committed to prison under the criminal justice system is, however, as much a prisoner of the State whatever his status. Mr Hurd's reliance on such a distinction is absurd. The private remand centres would need closer official inspection if only because the unconvicted prisoner is entitled, if anything, to more favourable treatment than convicted prisoners. Whatever the attraction of a route to providing *speedier accommodation, the* Home Secretary may find that that path is blocked to him by opposition, not just from penal reform groups *but also from* parliamentarians from all sections of the political spectrum.

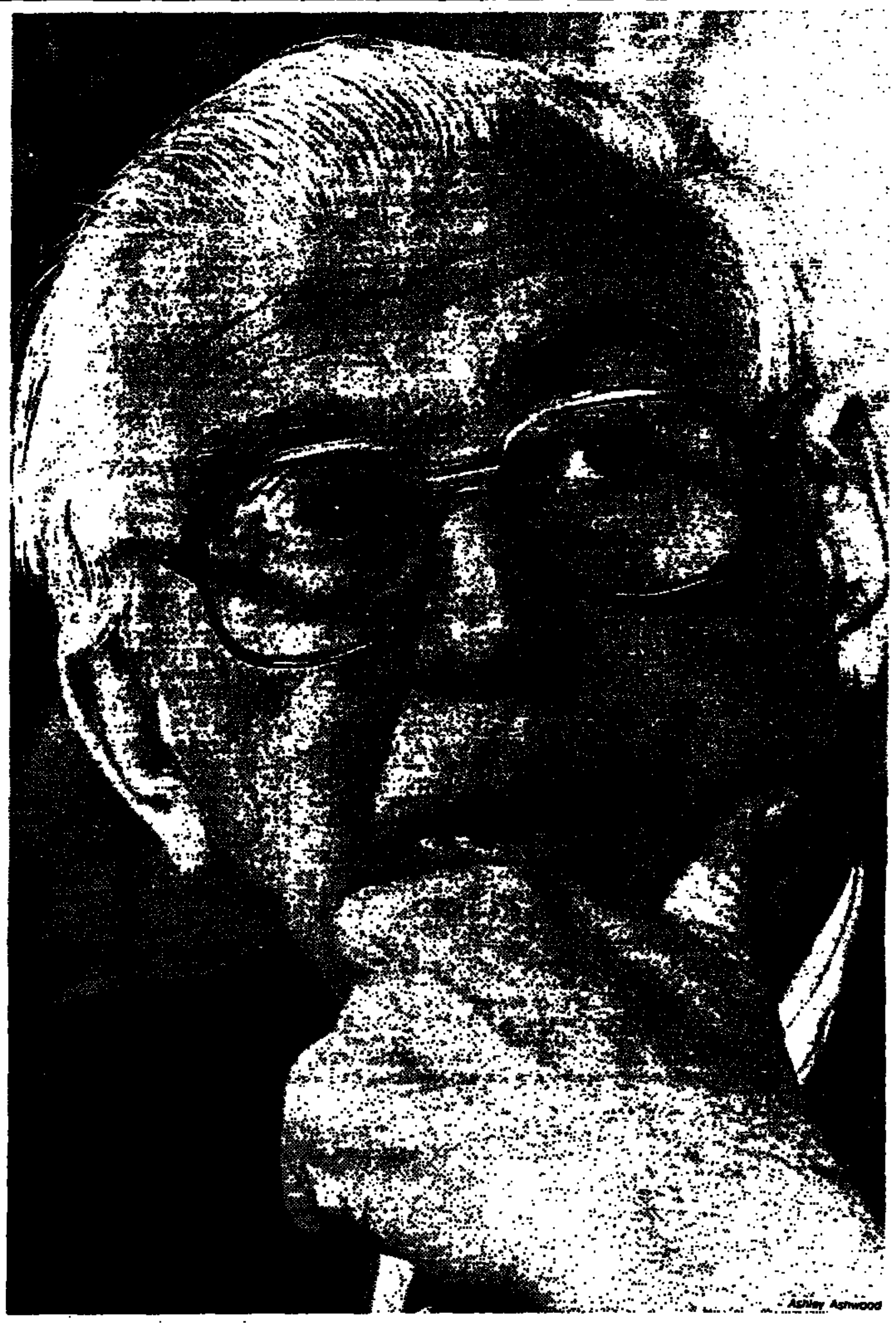
His alternative is to look pleadingly to the courts. At least he is entitled to have some indication from the judges about the expected level of sentencing so that he can make some estimate of future required accommodation, if only to know how many military camps he may have to convert to prison use. The Home Secretary's hope must be that another clarion call like that of *1980 will issue from the Court of* Appeal (Criminal Division). The need is to put into reverse the recent increase of about a fifth in the average sentence length being imposed by Crown Courts. There is often an assumption among judges that prison accommodation can be made readily available to meet any and every demand of the courts. The Government's substantial building programme will not however be complete until the mid 1990s. Even if it were to be extended *now it would not provide any* more space until the end of the century. Given the present rate of prison sentences, the gap between the prison *population* and the certified normal accommodation in use will be as large in 1996 as it is now.

The Lord Chief Justice has publicly stated that the criminal courts are a part of a unitary penal system, and must contribute towards the pursuit of a rational and practical penal policy. It is the Circuit judges who sit regularly in the Crown courts and do the bulk of prison sentencing who must adjust their sights. They can no longer pass any sentence of imprisonment that they think appropriate for the offence and the offender regardless of whether the prison *service will be able to bear the* sheer weight of numbers. The alternative will be, not just another lurch in prison crises but total chaos and even riots in the prisons.

INTERVIEW

Veteran fights another campaign

Raymond Snoddy talks to Marmaduke Hussey, chairman of the BBC board of governors



Ashley Ashwood

MARMADUKE HUSSEY rests his 6 ft 5 in frame on a simple chair in the middle of his office because it is better for his wartime back injuries than anything more grand and says: "I'm too old to be a poodle and too big to jump on people's laps."

It is his way of saying that although he may look and sound like a county squire of impeccable Conservative credentials, he *is not Mrs Thatcher's placeman* and that he believes in the Royal Charter of the British Broadcasting Corporation and its independence from Government *in* the literal way that a fundamentalist preacher believes in the Bible.

"I am absolutely determined to resist political pressure from any source. It is a very big part of my life because if the chairman doesn't resist the political pressure the director general and his colleagues have very little chance," says Marmaduke, or "*Dukie*" *as he is known,* in his first formal interview since finding himself, much to his own surprise, BBC chairman nearly 18 *months* ago.

Even by the normal dramatic standards of the BBC it has been an eventful period. There were attacks on the impartiality of BBC news coverage by Mr Norman Tebbit, then chairman of the Conservative Party; Alasdair Milne, the director general, was forced out; there were police raids on the Glasgow headquarters of the BBC over the Zircon spy satellite programme; there were battles through the courts over secret service memoirs and a complete *restructuring of* BBC top management.

Mr Hussey, who says he is not enamoured of politicians as a species although he has *friends* on both sides of the House of Commons, is concerned that political pressures will have an effect within the BBC, however strongly he himself resists them.

"What worries me is that these political attacks, which largely stem from one quarter, have affected the attitudes and morale of people down the line," says Mr *Hussey, adding that the quarter* he has in mind is Mr Tebbit.

Does he mean that programme makers might be becoming too acquiescent for fear of drawing political fire on themselves and more cautious than the chairman wants them to be?

"I am saying that I am worried that that might happen. Our business is making fine, imaginative and challenging programmes," he says, emphasising the word challenging.

"He (Mr Tebbit) has moved the BBC right into the centre of party political politics. We have got ourselves into the situation where virtually every programme we *do is monitored by the Labour* Party and the Conservative Party to see if they can see a shade of bias there. I think that very debilitating and it is wrong."

Apart from impartiality and independence, Mr Hussey's main priority for the Corporation now is to ensure it is the standard bearer of quality in an age when cable and satellite television are proliferating and in particular to provide the best news and current affairs coverage.

"If publicly-funded broadcasting has any logical or moral justification it lies in the supremacy of its news coverage – although that is not to deny the extreme *importance of its entertainment* side because it is not just a news vehicle," he says.

His attachment to news is hardly surprising. *Until* he became chairman of the BBC, he had spent all his working life in the newspaper industry and he was chief executive of Times Newspapers during the 1978 battle to introduce new technology. *It was a dispute which kept* The Times and Sunday Times off the streets for 11 months.

The BBC, because it is funded by a compulsory licence fee is, he believes, responsible to the public in a way that newspaper proprietors he has worked for, such as Lord Rothermere, chairman of Associated Newspapers, and Mr Rupert Murdoch, of News International, are not.

As Mr Hussey talks, his trousers ride up and his artificial leg – the legacy of a burst of *machine-gun fire near Anzio* which nearly killed him - begins to show. "Sorry about my wooden leg. My wife always gives me rockets about that," *says* Mr Hussey whose bluff, straightforward exterior, according to friends, tends to disguise a fast and able mind.

PERSONAL FILE

1923: Born. *Educated at Rugby and Trinity College Oxford.*
1944: Wounded and captured in Italy while serving as a Platoon Commander in the Grenadier Guards.
1949: Joined Associated Newspapers as management trainee.
1962: Became a director of Associated Newspapers.
1967-70: Managing director of Harmsworth Publications.
1970: Joined Thomson Organisation.
1971-1980: Managing director and chief executive of Times Newspapers; served on executive board.
1982-86: Director of Times Newspapers.
1986: Appointed chairman of the BBC board of governors in October.

The transformation of a life winding down to retirement came with a telephone call from *Mr Douglas Hurd, the Home Sec*retary on a Thursday evening in October 1986 when his wife Lady Susan was out at the opera.

Duke Hussey says he was bowled over to be offered what he regards as the biggest job in the *UK media and one of the most* significant in the world.

"I didn't think I was big enough for the job and had genuine doubts about my capacity to do it – to be perfectly honest."

When he said yes two days later and asked for the brief, Mr Hussey says he was told by the Home Secretary: "There's no brief at all, really. You find out that when you get there." It is an account that contrasts with that of the conspiracy theorists – who believe that Marmaduke *Hussey was put into the BBC to* sort it out politically.

When he arrived at Broadcasting House the new chairman asked large numbers of people both inside and outside the Corporation two questions: what would be the best and what would be the worst things he could do. The best things ranged from teaching the Corporation how to admit its mistakes to healing the rift between board of governors and board of management.

The rift was effectively healed with a simple trick learned in newspaper union talks – interleave both sides at meetings or *meals to defuse confrontation.*

One of the worst things, it was suggested, would be accepting Government plans to link the licence fee to retail prices, something that would put a significant financial squeeze on the Corporation. Mr Hussey and his vice chairman Lord Barnett, the former Labour Cabinet minister Joel Barnett, decided to embrace what they could not prevent.

"Joel and I decided – collectively we decided – we would accept the RPI (retail price index) and that if we accepted it we would accept it without a squawk."

Mr Hussey was struck even *more by a comment made by a* former controller of Radio 3, now retired from the BBC, Mr Stephen Hearst. The comment was that the BBC as a programme making company was the biggest and arguably the best in the world but as a Corporation it seemed to get its affairs in a muddle.

Gradually Mr Hussey formed a view of an enormous organisation which was not analysing its problems properly or thinking strategically about what its *future should be. Asked whether* he decided that top management had to be removed to enable change to occur Marmaduke Hus*sey paused and said: "I think that* whether it's fair or whether it's unfair – in general terms it doesn't matter whether it's a football team, a company or a newspaper which is clearly in a period of difficulty – (when) you feel considerable changes are needed it usually means that changes in personnel are needed also."

"And when it needs to be done it has to be done fast. It happens frequently enough in Fleet Street," he added.

It happened fast at Broadcasting House too. Just over a year ago, the end of Mr Milne's tenure as Director General came *between the soup and the main* course at a governors' lunch. Mr Hussey has formed a close relationship with Mr Michael Checkland, Mr Milne's successor, and the two talk virtually every day. Indeed, the interview was interrupted by "Mike" popping in for a chat with "Dukie" about a pressing issue.

"It is obviously helpful if a director general tells me what he is doing and discusses it. I indignantly deny that I get involved in *the day-to-day running of the* BBC. I don't at all. That is the job of the director general and the board of management," says the chairman.

All his life as a newspaper executive, he says, he has resolutely defended the right of editors to form their own editorial policy and the same applies at the BBC.

The chairman says he has never viewed a programme in advance of transmission and nor does he intend to. However, he has already *told director general* Michael Checkland that he would make an exception if he "personally and privately came to me and said 'I'm a *bit doubtful about* this. Would you mind seeing it with me.'"

He has no qualms about mak*ing his* views known to programme makers after transmission. Standards are being set by building up case law through *post hoc* judgments when complaints are lodged against programmes.

The BBC chairman believes that the Corporation may have got adrift of public taste on matters such as bad language.

He also thinks the Corporation is under great threat – political threat, commercial threat "and the threat from ourselves if we do not get it right."

He believes that the BBC's news and current *affairs broad*casting is already showing tremendous improvement under Mr John Birt, deputy director gen*eral, despite the* "very solid wall of resistance he has met because journalists do not welcome change."

Marmaduke Hussey is convinced he now has a winning team in Mr Checkland, Mr Birt *and the BBC*'s most recent transfer, Mr Paul Fox, former managing director of Yorkshire Television, who takes over as managing director of network television later this month.

Mr Hussey is so confident in his team that he has told his wife he won't have to work so hard in a year's time. Lady Susan, fifth daughter of the 12th Earl Waldegrave and lady-in-waiting to the Queen, probably doesn't believe him.

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CONSTRUCTION CONTRACTS

Expansion at Nissan car plant

SIR ROBERT MCALPINE & SONS has been awarded a £7.9m design and management contract by Nissan Motor Manufacturing (UK) for Nissan Yamato Engineering, a joint venture with NMUK.

Occupying a 92,000 sq metre site on the south side of Washington Road to the west of the existing Nissan car plant, the project consists of a single-storey building with 16,800 sq metre floor area to provide a small press parts shop, a sub-assembly shop, administration facilities and an ancillary building.

Construction will be of structural steel frame with profiled composite steel cladding. Within the press shop, excavation to a depth of nine metres will be necessary to allow for machine pits and tunnels over a 1500 sq metre area of the building.

The work, due to commence in April and scheduled for completion in September 1989, will include roads, the installation of all main services and a gas-fired factory heating system.

*

Project management and management contracting for the £1.2m "Edinburgh Story" scheme has been awarded by Heritage Projects (Edinburgh) to MOWLEM (SCOTLAND), Kilsyth, Glasgow. "Edinburgh Story" is the conversion of one of the city's most famous landmarks – Highland Tolbooth Church – into a heritage centre and tourist attraction showing Edinburgh as it was in the 1590's. It is situated just a few yards from the entrance to Edinburgh Castle. Visitors will be able to walk the wynds (narrow streets) and closes of the city as they were then and follow the life of one typical family throughout its day. The Great Hall in the upper part of the building will house a multi-media presentation of Edinburgh of the time and a restaurant in the former library will feature an unusual balconied dining area.

Tower Bridge offices project

WATES CONSTRUCTION (LONDON) has secured orders valued in excess of £28m. The contracts include both private and public sector works. In Tower Bridge Road, London SE1, immediately at the foot of Tower Bridge, Wates has a £10.5m contract for demolition and re-building 105,000 sq feet of offices for Grosvenor Square Properties Group. The seven-storey building will include basement car parking.

The fire-damaged property at 22 Hill Street in Mayfair is to be rebuilt by Wates in a £2m contract for the BP Pension Scheme. Demolition is included in the contract work but the Hill Street facade and the main staircase are to be retained. The new six-storey development of offices and a penthouse flat will include high quality finishings.

The £4m contract in Dingwall Road, Croydon, is for Urban & City Properties in association with Arlington Estates. The seven-storey offices featuring brick and curtain wall elevations will include a semi-basement car park.

In the public sector Wates has secured a £12m contract from North East Thames Regional Health Authority for Phase I redevelopment of Whipps Cross Hospital at Leytonstone. The three-storey building comprising five sections will be linked to the hospital and will provide facilities including operating theatres, clinics, wards, out-patients departments, pharmacy and administration.

East Fife road development scheme

TRACTOR SHOVELS TAWSE – the civil engineering subsidiary of Evered Holdings – has been awarded a £18m contract by Fife Regional Council to construct Phases III and IV of East Fife regional road. The proposed trunk road commences at the Lochgelly interchange and proceeds north eastwards to the new Chapel interchange on the A910 after which it proceeds eastwards skirting the north side of Kirkcaldy to connect with the existing roundabout on the A92 at Redhouse.

Contract works comprise the construction of around 9.6km of dual carriageway in flexible pavement including two slip roads at Lochgelly and a full grade separated interchange at Chapel; approximately 1km of single carriageway; three reinforced concrete bridges; two prestressed concrete bridges; one three-span plate girder viaduct with total span 159 metres; consolidation of old mine workings; the excavation of around 775,000 cu metres of material, 405,000 cu metres of which are to be placed in embankments; the provision of approximately 120,000 cu metres of imported material to be placed in embankments.

Providing car park facilities

NORWEST HOLST has won three multi-storey car park contracts in Manchester, Northampton and Aylesbury with a total value of nearly £9m. All three are high quality clear span structures providing an uncluttered parking area. Both the Manchester and Northampton projects are being carried out as design and construct contracts.

The £4.2m Manchester car park – forming part of the new domestic passenger facility at Manchester Airport – is the largest. The five-storey reinforced concrete structure will provide nearly 900 spaces. The high level of external finishes is matched by the sophisticated car parking control and metering system. This monitors the numbers of cars in the car park, identifying and indicating vacant spaces on each level for the incoming motorist. Because two elevations overlook the runway, anti-terrorist barriers are to be fitted. Other features not normally associated with this type of structure include two 33 passenger lifts and an escalator.

The second design and construct project is the £2m 500-space car park in Abington Square, Northampton. The very restricted site meant that it was necessary to terrace part ofthe structure. The split-deck reinforced concrete framed structure features red pigmented concrete parapets with an exposed aggregate finish. The development is being built for shoppers in the town centre and is replacing single-level parking.

Making up the trio of contracts is Aylesbury's multi-storey car park providing nearly 340 spaces and forming a focal point to another phase of development in the town. Costing £2.6m the steel framed car park features 11 split level car parking levels and is faced with brickwork panels. The car park includes an automatic watering system and landscaping including a large number of flower beds.

Variety of work for James Longley

JAMES LONGLEY has won £6.4m worth of contracts including a £1.2m 45,600 sq ft national computer centre for TSB Trustcard in Crawley, Sussex, a £1.3m period refurbishment for Pilkington Brothers in Cleveland Row, London W1, and £1.6m worth of improvements for British Rail.

For British Rail at East Croydon work is about to begin on a £638,000 contract, to be completed in six months, providing new buildings and awnings on platforms one and two.

At the station the company is also constructing a Red Star parcels office, passenger restaurant facilities and an additional subway connection. Single-storey staff accommodation is being created at Redhill under a £414,000 design and build contract.

Two Surrey projects for W.H. Smith include extensive shopfitting and modernisation of existing premises in High Street, Camberley.

A retail alteration contract is being carried out for Norwich Union of Hilton's department store in the Orchards, Haywards Heath, West Sussex.

A £500,000 design and build scheme at Burgess Hill is to commence shortly, providing 9,000 sq ft of warehouse and 4,000 sq ft of office accommodation for Peak Aviation Services on the Sheddingdean Industrial Estate.

ACS Industries has awarded Longley a £300,000 contract to reconstruct a factory unit on Huffwood Trading Estate, Billingshurst, and a £370,000 contract from Radiometer calls for alterations to be made to an industrial unit at Manor Royal, Crawley.

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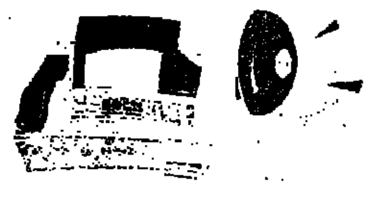

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Puma lays its US ghost

Andrew Fisher explains how the West German sports shoe and clothing company is seeking to reassert its position by re-focusing its strategy, and products

Hans Woitschaetzke (centre): Will rely less on promoting big names like Boris Becker and Martina Navratilova

IT WAS ONLY a few lines of text, no more than half a sentence. But the words came to haunt Puma, the West German sports shoe and clothing company. For after it was revealed just over a year ago that it had suffered a severe setback in the turbulent US market, investors' eyes were drawn inevitably back to the prospectus issued when the family-owned company offered preference shares to the public.

There, buried at the back, was a sentence which began with a mention of the positive order flow in new foreign markets and ended by saying in an almost throwaway manner that business in the US was showing "a clear backwards tendency." That, however, seemed insignificant to those who snapped up the new non-voting shares in the summer of 1986. Puma had cannily played up its promotional links with Boris Becker, fresh from his second Wimbledon tennis victory.

Lately, Becker has been through a dull phase, though he now seems to have recovered his winning touch. But it was not his lack of on-court triumphs which hurt Puma. After that early, but veiled, warning of trouble to come, the German company was nearly knocked out of the American market. Only now is it starting to emerge from the shadows of its US disaster, having reorganised its management, brought in brighter products, and taken a more aggressive marketing stance.

Like other sportswear companies, Puma fell victim to the so-called Reebok phenomenon. Reebok, of English origin but with its shares quoted in the US, came up with attractive, colourful shoe styles which were particularly successful among women. These swept the US market, leaving rivals trailing. Puma, slower to react than the competition, suffered badly. The new shares, which had soared to over DM1,500 from the initial offer price of DM310, fell right back.

Recently, they were subject to a brief speculative flurry over talks Puma is holding with an unnamed foreign company. These could lead to a stake being taken in Puma, which has nonetheless emphasised that it is only interested in financial links with a partner who can bring commercial benefits.

The job of putting Puma back onto the prowl, with or without partners, has been given to Hans Woitschaetzke, chairman only since November. In 1988, he aims to return Puma to break even after losses totalling around DM75m (£24m) in the past two years. In the US, sales should rise to $150m from $100m through improved, higher-priced, products rather than bigger volume, while losses there are expected to fall well below DM10m after just over DM30m in 1987 and DM75m in 1986. But while restructuring its US business to squeeze out losses, Puma has also been spending money to rebuild it.

"We have to accept some of the US loss as an investment for the future," says 48-year-old Woitschaetzke. "We are not putting the brakes on, or trying to strangle the business." Like Rene Jaeggi, chairman of Adidas, the rival company also based in Herzogenaurach, Bavaria, he is new to the sportswear industry and has an unusually varied background. He was picked by Manfred Emcke, a consultant who was taken on to help rescue Puma and now heads the supervisory board.

Today, neither company has a member of the founding Dassler family in its top management. In Puma's case, Armin Dassler had stepped down as chairman before the flotation (led by Deutsche Bank) because of ill health. Armin is the son of Rudolf who started Puma 40 years ago after quarrelling with his brother Adi, founder of Adidas. Armin returned to the board when the crisis hit, again moving aside when Woitschaetzke was hired. To shore up its finances, Armin and his brother Gerd, as owners of the voting shares, lent Puma DM62m, borrowed from their banks.

Until being headhunted to run Puma, Woitschaetzke, a one-time ice-hockey player, was in the ski business. In 1972, he and friends started the TRAK cross-country ski company, which bought the then troubled Kneissl Tirol alpine ski manufacturer nine years later. Born in Berlin, Woitschaetzke went to Canada after an apprenticeship in the printing industry, later finding his way to Venezuela.

After working in a printing plant there, he joined Procter and Gamble, the US consumer products group, as a marketing assistant in Caracas. At 26, he moved north to study international business at Boston University, rounding off his academic phase with a master's degree in business administration at Harvard. Before the success of TRAK skis, Woitschaetzke also worked for Boehringer Ingelheim pharmaceuticals in Germany.

Woitschaetzke's transatlantic experience should stand him in good stead. Puma lost its US footing because its design and sales strategy was set in Germany, paying too little attention to local shifts in taste. "Puma wanted to sell German products and German designs. That will now change drastically."

The aims of the new head of Puma have much in common with Jaeggi at Adidas. Both are instilling the need for faster reactions to market changes, both are shifting more product design and development away from Germany, and both aim to cut costs, especially on promotion, as well as by trimming the range of shoe products. But they also intend to keep the strategy reins firmly in their own hands.

For Puma, the outlook is brighter than a year ago. Not only had it failed to bring the right products onto the market as first Reebok, and then Nike, had major shoe successes. It had also alienated the trade by selling through discount stores, undercutting regular sports outlets. "They went very down-market," says John Horan, publisher of Sports Management News, a US newsletter. "That is their root problem. They still have good customer recognition, a terrific product name, but they really need to re-establish their credibility with the trade."

Puma has begun doing that, but at a price. It has paid nearly DM100m over the past two years to buy out its distributors on the east and west coasts, together with old stock. "This was a necessary sacrifice to sort out the market," explains Woitschaetzke. "It cost us a packet." Adidas has also taken control of its US distribution. But it did not suffer from wrong ordering decisions like Puma, whose distributors – especially Pacific Sports in trend-conscious California – still went in heavily for bulkier traditional lines.

To make its products acceptable to the trade and the market Puma has brought out new designs, which Woitschaetzke says have been well received. "The question," he says, "is how much the trade is prepared to risk." Horan agrees that the new shoes and textiles look good. "They've been a little more adventurous with fabrics and colours, it's a nice collection."

But, stresses Horan: "They could have the best shoe on the market and have a hard time selling it. This is nothing to do with the product, but with the damage they have done to themselves through discounting. It's the number one thing they have to take care of." Last year, according to his newsletter Puma was ranked 12th in the $3bn US sports shoe market. In 1985, it was 5th. Adidas is still fourth.

Changing a poor trade image clearly takes time. To make the transition as quick and smooth as possible, Puma has assembled a new team in the US. It includes a former Reebok marketing vice-president, Steve Encarnacao, in charge of the US shoe business, Bob Acampora, who built up the Coca-Cola textile line and now heads Puma textiles in the US, and Herbie Kunz, a Swiss with Far Eastern experience in purchasing, as chief operating officer.

"It is important to have managers who are very strong in marketing," feels Woitschaetzke. Since his arrival, he has reshaped management to define clearer lines of responsibility. (The finance director has already been replaced by an outsider, Bernd Szymanski from the Triumph-Adler office equipment concern.) One main board director in Germany is in charge of shoes, from design to sales, and another looks after textiles. Before, the product development and materials purchasing functions were under one person and sales under another.

"Now," says Woitschaetzke, "responsibility for turnover, profits, and costs is clearer." Also, heads of subsidiaries report directly to him and not, as previously, to the directors responsible for buying, design, sales, or marketing. His own role as chairman includes responsibility for promotion through sponsorship of athletes.

Big name promotion is costly, but Woitschaetzke is adamant that it will become much less important and be partly replaced by more straight advertising. Thus, Becker's contract has been modified to cover only shoes and rackets, and not clothing. Puma also has Diego Maradona, the Argentinian soccer star, on its books; talks are taking place on a renewal of his contract, soon to run out. Another Puma name is Martina Navratilova, toppled from her ranking as top women's tennis player by Steffi Graf, signed with Adidas. Navratilova's contract will also end soon, but will not be renewed.

These days, big names have much less pulling power in the market, where leisure buying accounts for some 70 per cent of business. Reebok took full advantage of this. "The theme of performance in sports, on which the whole German product image was based, has been increasingly shaken," says Woitschaetzke.

He is, however, more sceptical about Reebok than Jaeggi. "We don't intend to jump on the Reebok bandwagon." Puma will still stress the performance qualities of its shoes, which account for some 60 per cent of turnover. But it will take more notice of fashion influences.

If Puma does return to the black this year, Woitschaetzke is optimistic about 1989, which should "certainly be positive and profitable." With half its shoes made under contract in the Far East, where currencies are linked to the dollar, he says the US currency's weakness is not a worry. (It only makes a small percentage of the goods it sells, while Adidas still has a high proportion of costlier in-house European production.)

Once Puma is back in profit, Woitschaetzke sees a 5 per cent pre-tax return as the minimum possible. He hopes the company can reach this in 1990. On present world turnover of DM1bn (excluding licence business), that would be DM50m. But that target is some way off. Puma may be recovering from its sickliness, but it has a lot of catching up to do.

ICL in Europe

A response to meet the challenge

BY TERRY DODSWORTH

THERE ARE NO management textbooks to tell business how to prepare for the barrier-free Europe of 1992. Companies, indeed, are writing the textbooks themselves - and for ICL, the UK computer group, this has meant taking the view that a unique challenge demands an unusual response.

The latest step in the company's plans for tackling the wider European market has put responsibility clearly into the hands of a special project team called the European Strategy Board. It will work outside the company's normal management structure, will concentrate specifically on issues thrown up by the moves to a free internal market, and will have considerable clout within the company.

To underline its organisational muscle, it will have control over European acquisition strategy, direct access to Peter Bonfield, ICL's chairman, and will be managed on a day-to-day basis by Alan Rousell, formerly head of ICL in the UK. Its chairman will be Sir Michael Butler, UK Ambassador to the European Community from 1979 to 1985, and it will have three main areas of responsibility.

The first is to keep an eye on the practical progress being made towards the the reduction of trading constraints, while maintaining ICL's lobbying activity for more open markets and, in its own field of data processing, for common technical standards.

The company has already been something of a pace-setter in this latter sphere, putting a great deal of effort into the establishment of standards which make it easy for different computer manufacturers to sell to the same client. This is particularly important within Continental Europe, where ICL has a very limited base in large mainframe computers, and is therefore centreing its sales drive on the rapidly-growing market for departmental systems.

Typically, these systems are based on a departmental mini-computer, and use between four and 100 terminals. They need to be organised in a network in which the terminals can talk to each other, and increasingly there is a requirement for easy linkage into external systems - hence the advantage of having open systems that allow machines to be connected simply and inexpensively.

Responsibility for acquisition and joint venture proposals will also rest with the Strategy Board. Sir Michael, who is the head of the European Division at Hambros Bank, believes that ICL will have to employ an active take-over policy to achieve its aims in Continental Europe. There are plenty of opportunities available for an opportunistic company, he says.

Third, is the development of new products. In this area, the Strategy Board will act like a research and development centre, feeding new ideas out to the operating divisions in the different national markets.

ICL already has lots of ideas about what sort of data processing products the Europe of tomorrow will need. Take, for example, the issue of customs and excise. In theory, goods will move freely within the EC from 1992, leaving customs with the single job of administering the external tariff on products coming in from outside the Community. This change, ICL believes, will focus attention on the standards of the customs organisations in the different Community countries, eventually forcing them to adopt common methods.

Another area is transport, now being increasingly integrated on a pan-European basis, and connected together in information systems linked to just-in-time delivery arrangements. Road haulage, indeed, shows very clearly how the Strategy Board is designed to respond to the opportunities presented by a barrier-free Europe.

At one end of the spectrum, the Board will define targets for takeover and alliances of one kind or another. At the other, it will be developing new products, such as systems and software aimed at transport companies, to channel into the regional operating companies. And glueing all three things together will be the emphasis on open systems.

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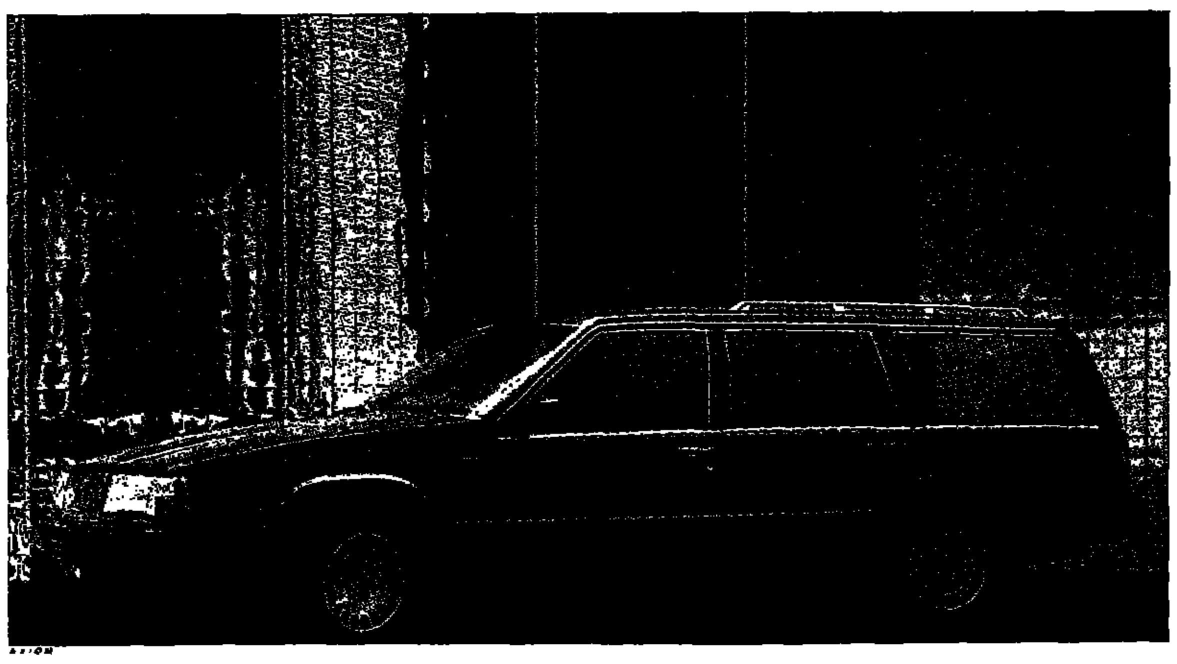

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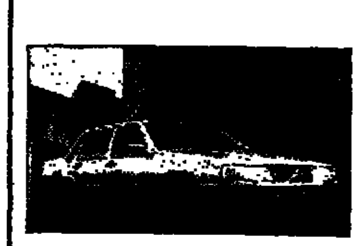

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The biggest carbuncle of them all?

It was the rare Ben Jonson's muse that was most inspired by "rich Canary wine" – but I doubt very much whether he or any man of soul or sensitivity can be inspired by the Canary Wharf proposals that have now been unveiled by the developers Olympia and York in London. These developers from Canada have brought to London the expertise that they exercised successfully at Battery Park City on the island of Manhattan. There, in my view, they built a continuation of lower Manhattan that has a consistency of scale with New York, an agreeable waterfront and commercial buildings that have no particular architectural distinction.

Scale is the problem in London's Docklands. When the first scheme was unveiled under the flag of another developer I welcomed the idea of large buildings, because Docklands development has been distressingly suburban in feeling, with no real sense of an urban place. I argued then that tall buildings were not completely unacceptable as long as they were elegant and original and, in a word, beautiful.

What has been revealed as the first phase by the Reichmann family's Olympia and York is a £1bn development that will provide 6m square feet of retail and commercial office space. Battery Park City is a mere 8m square feet in total. Part of the first phase is an obelisk-shaped tower designed by Cesar Pelli from New Haven, which will rise to some 800 ft. This tower is, when the second phase is built, to be flanked by two shorter towers. It is this tower that is the terrible mistake. Not to mince words, it is an appalling design of the most banal simplicity. The fact that the architect and the developer cannot agree whether this monster should be sheathed in granite or stainless steel is immaterial. It is a pointless building as it is proposed. As a landmark, a skyscraper with an interesting outline might have been bearable, but this lumpen thing will only be resented by the residents of London.

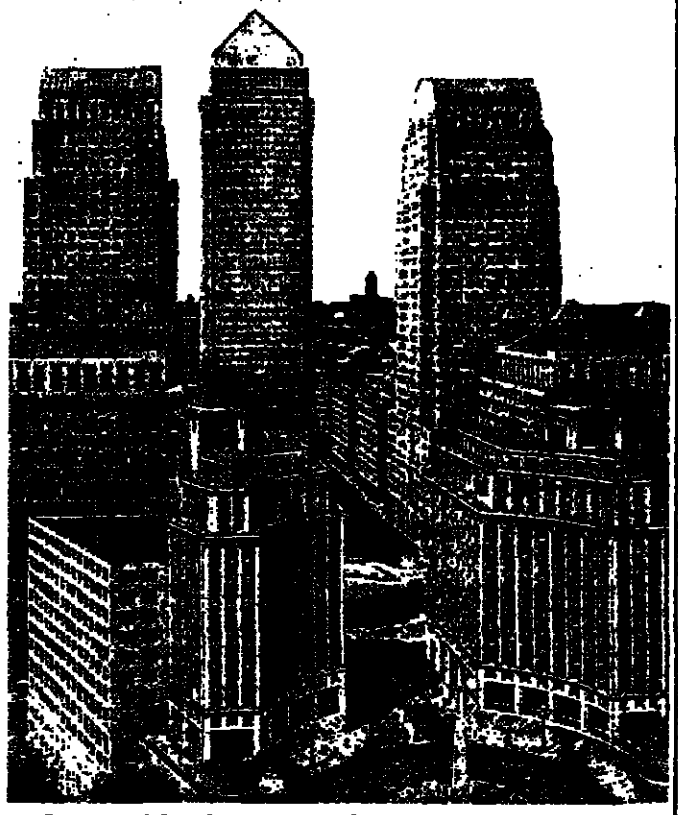
'It is the tower that is the terrible mistake. Not to mince words, it is an appalling design of the most banal simplicity'

The tower is surrounded by a formally planned arrangement of buildings by a range of American architects, leading from a circus by the Thames to a shopping mall and a glass covered station. The architecture has apparently yet to be finalised. But it will be by Skidmore Owings and Merrill, Khon Pedersen Fox, during the first phase of the development. Olympia and York have said that the British architects James Stirling, Norman Foster and Richard Rogers have been approached over the second phase which will be a similar size to the first. It is a tragedy that they were not approached for the first phase.

The closest parallel to something like Canary Wharf is La Defense in Paris. However much you may dislike that place, it is at least aligned on a major Parisian axis of the Champs Elysee and the Arc de Triomphe. In that way it has a sense of integration to a planned city. At Canary Wharf, the great axis of Wren's Greenwich surely should be respected and extended. From 1680 when the Hospital was built the axis has grown through Le Notre's grass terrace, St Anne's Limehouse, All Saint Blackheath (1858) and even the statue of Wolfe (1930). The idea of the landscape architect Laurie Olin is to surround the open spaces of the development with buildings, making them shady and more than likely extremely draughty from the micro- climate created by the tall buildings.

It is the water in Docklands that creates the open space, reflects the sky and makes the place a very beautiful one. The formalised planted squares and traffic roundabout in this new scheme may have the "character of Belgravia, Trafalgar Square and The Mall" to quote Sir Roy Strong, the development's aesthetic spokesman, but looking at the 200 ft high buildings and their nondescript architectural character does not inspire enormous confidence. The architectural style, in as far as it has been worked out, was described by Cesar Pelli as "Not really any describable style, but sympathetic to London memories without using specific bits and pieces of London." Need any more be said?

The sadness of Canary Wharf is that it is the only planned part of Dockland on any significant scale. The sadness comes from the fact that it has all the marks of an architectural white elephant about it before it is built. Why does London go on making the mistakes that can be seen to have been gross errors in other countries, and make them 50 years too late?



Canary Wharf: more Manhatten than London?

Salome/Covent Garden

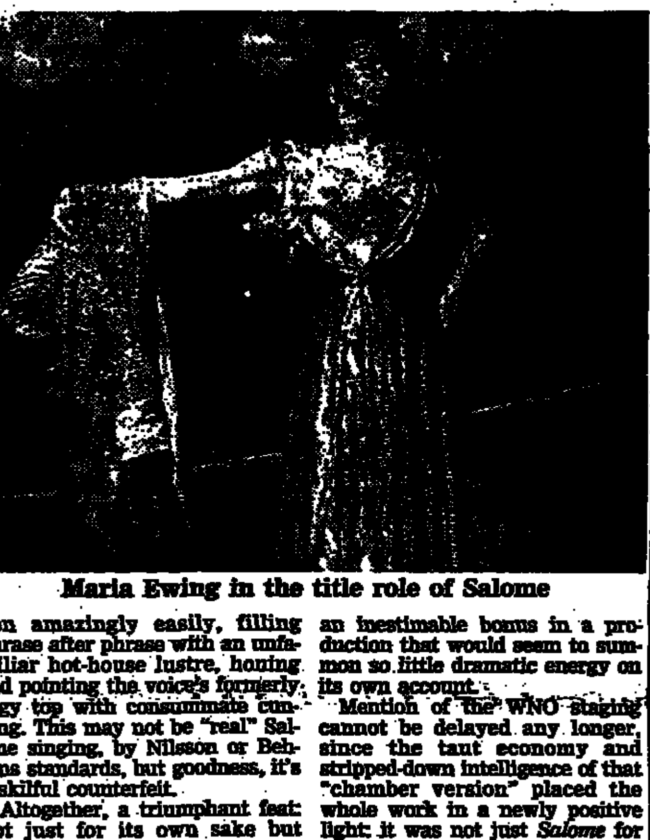
Max Loppert

Maria Ewing, who takes the title role in the new production of Strauss's opera, is a risk-defying, mesmerizingly powerful stage artist. When one considers her past repertory - mainly lyric-mezzo, with recent light-soprano excursions - the assumption of the role at all is the first and most serious risk to consider; but the whole thrust of the extraordinary singing-actor's display that she gave at Covent Garden on Friday is the taking of chances, theatrical as well as vocal, in every possible direction right to the end of the line.

She comes on like a Judaean flapper, hair in a headband, eyes wide, hands waving (only the long cigarette holder is missing), the air charged with a petulant, bright-young-thing chic. Everything that could possibly be exaggerated, is - word-underlining, extremes of tone-colouring, luscious portamento curves in the phrasing that appear to have dictated the Art Nouveau design details of John Bury's sets and costumes. The first impression is both fascinating and immensely irritating - a good smack, one feels, is this Salome's most urgent requirement.

But the development of the character through strictly graded stages of erotic awakening, orgasm (it is obviously Salome's first, and it changes everything), blood-hunger and its final mad fulfilment shows that Miss Ewing's grasp of Strauss's dramatic processes is determined by striking dramatic intelligence as well as scorching theatrical charisma.

The range of the singer's expressive devices grows plainer, more starkly forceful, as the opera unfolds; one quickly perceives that the role as she outlines it makes complete sense from beginning to end. The dance, which climaxes in sensationally flaunted full-frontal nudity, is a midway character summary as well as an almost completely successful traversal of this celebrated operatic minefield. On Friday there wasn't quite enough sheer vocal impact for the final phrases; but until then Miss Ewing had managed to carry the dramatic-soprano burden amazingly easily, filling phrase after phrase with an unfamiliar hot-house lustre, honing and pointing the voice's formerly edgy top with consummate cunning. This may not be "real" Salome singing, by Nilsson or Behrens standards, but goodness, it's a skilful counterfeit.



Maria Ewing in the title role of Salome

Altogether, a triumphant feat: not just for its own sake but because almost single-handed this Salome sets a vitalizing spark to Peter Hall's heavy, painstakingly literal-minded production (which comes to London from the Los Angeles Music Center). Not by any means *entirely* single-handed: the conductor, Christoph von Dohnányi, has demonstrated in a previous Covent Garden series of *Salome* performances that he is a master of pacing without flagging, of aiding voices on the light side (such as Miss Ewing's, and that of the Herod, Robert Tear) to float clear of the orchestral barrage, of Straussian structure. The iridescent "fairy music" textures that Charles Mackerras brought up so sparklingly in the Welsh National *Salome* at Swansea a fortnight ago were not to be had here. But it was a reading of absolute sureness of movement - an inestimable bonus in a production that would seem to summon so little dramatic energy on its own account.

Mention of the WNO staging cannot be delayed any longer, since the taut economy and stripped-down intelligence of that "chamber version" placed the whole work in a newly positive light: it was not just *Salome* for kicks. The Covent Garden show offers the equivocal Straussian no temptation to find new things to admire in the work. John Bury's designs, heavily influenced by various turn-of-the-century paintings, are cumbrous, tenebrous, and for the most part just plain dull.

And Sir Peter's direction seems to have been used up on the title part, since other roles are either so flatly or so obviously taken. Mr Tear's fusspot Herod is infinitely less interesting than his WNO Tetrarch. Helga Dernesch (costumed and wigged to resemble distantly the Empress Eugénie sings as richly and grandly as ever without leaving the surface of Herodias' part.

In sum, then, a single-star, single-aspect *Salome*. It's hard to imagine the production's survival without Maria Ewing.

Tosca/Grand Theatre, Leeds

Richard Fairman

If Verdi had written *Tosca*, what a different opera we might have had. The tension between individual liberty and politics, which he admired in Sardou, would have given the drama a strong and serious central issue. As it is, Puccini sweeps as much of that as he can under the carpet and leaves the frustrated modern producer with little more to handle than a shallow melodrama.

In his new production for Opera North, which opened last week, Ian Judge shows to a nicety how far a producer should keep his hands off. The action is updated to an unspecified period, perhaps turn of the century; but the events and relationships are faithfully adhered to, each detail of their presentation freshly examined and thought through in the most honest fashion. You always feel the opera is being accepted on its own terms.

Ideally the piece calls for a more lavish visual presentation than is possible with Gerard Howland's single unit set, designed for economy and convenience in touring. An imposing cupola supported by lofty marble pillars works better for the formal classicism of the Church of Sant'Andrea than it does as Scarpia's open and draughty study or the Castel Sant'Angelo. But within these cold and grand interiors the undercurrent of violence is ever present, and real people live and breathe.

If *verismo* is about believing in opera, then the central pair of performances here are as veristic as one could hope to see. From his first entrance Sergei Leiferkus seizes the attention: cane in hand, impeccably dressed in a modish long white coat, his Scarpia is a frighteningly convincing portrayal of the man as outwardly a perfect gentleman down to the tips of his manicured fingernails. Each time he sweeps an affected hand across his silver, coiffured hair, a shiver goes down your back.

For a hefty role like this, the voice is on the small side, as I felt it was with his Amonasro at the Kirov, his home house. But the focus and projection of the instrument are remarkable (each note goes bullet-like to its target) and so is his ability to vary its tone, rapping out commands to his servile henchmen with every consonant punctiliously clear, while approaching Tosca with honeyed sounds and a reptilian suavity of line. A rivetting performance.

For Tosca herself, Judge and his soprano, the American Mary Jane Johnson, have not come up with anything quite so original. But she looks good, a fiery redhead topped with a wide-brimmed, feathered hat *à la* Welitsch, and has a generous way of pouring out the voice that fills the music with tension and excitement, even when one might complain that the sound itself is starting to become shrill. Lucky the producer who has artists like these with which to work.

The Cavaradossi is John Treleaven, whose singing sounds as though nerves are about to claim another victim. There is no need: the voice is still a fine basic instrument. John Hall is a humourless Sacristan (probably intentionally); Clive Bayley an Angelotti who is gaunt and emaciated, for once looking a real victim of oppression. At Cavaradossi's execution brutal horns send a cry of pain tearing through the auditorium, a climax that caps Clive Timms' fierce and rigid conducting.

In retrospect, there may be a lack of relaxation and warmth, of musical give-and-take, about the performance, but while one is there, it lives thrillingly on its nerve-endings. With its current cast at least, this *Tosca* is well above the average. Opera North should flaunt it proudly.

Fashion/The Pit

Martin Hoyle

Doug Lucie is a young playwright whose merciless eye for fads, frailties and phoniness can result in hilariously-observed social satire. At the Barbican's Pit, however, laughter at this transfer from last April's Stratford opening is drowned by the squawk of sitting ducks being bludgeoned by blunt clichés.

There is a place for the exposure of the barrow-boy principles by which an increasing number of us feel we are governed, the spiv ethos; but, an often forgotten paradox, great satire needs to be rooted itself in a code of values, to have a recognisable point of view. Mr Lucie's all-flailing blanket condemnation not only cheats but occasionally panics

There is some fun to be had at the spectacle of an alcoholic socialist film-maker, out of work for years, lured into an advertising campaign for the Conservative Party. But much of the observation is now commonplace. "This is... sexy" says someone looking at the ferociously amoral advertising man's cool office, opulent in its high-tech austerity (excellently designed by Fotini Dimou); yes, money and power as the aphrodisiac of the people is a cliché. The piece comes to life in its diatribes, though, as happens with diatribes, the law of diminishing returns applies. One exception, a painful and jolting scene, is the beating that a goaded Cash gives his rough trade pick-up (David O'Hara).

The old Lucie is briefly glimpsed with the smoothie Tory's delight at meeting the radical film-maker: it transpires he had invested in those worthy movies (*"A Back Street Life"* bought us our villa in Greece"), but elsewhere the air of contrivance makes the humour heavy-handed and obvious. As the loner, desperate to be loved despite his success and bisexual philandering, Brian Cox gives a heavyweight, resolutely unglamorous performance. Mr Armstrong's old-style socialist begins as north-country, veers into fashionable media-cockney and ends as unaccented middle-class. Nick Hamm directs the traffic without being too clear as to the direction it should take.

Sponsorship

Enter the Academy

Antony Thorncroft

Today the Royal Academy launches its corporate membership scheme, another example of the furies that drive arts organisations that do not receive Government aid through the Arts Council. It is hoping to raise £500,000 by 1993 from companies prepared to pay £5,000 (plus VAT) for super-duper privileges, and £1,000 (plus VAT) for more modest benefits.

Most leading arts organisations have their business friends. The ENO; the RSC; Sadler's Wells; and the V & A, among others, collect an annual contribution ranging from £2,000 to £12,500. The Royal Opera House is about to raise its entrance fee from a basic £2,500 to a rumoured £25,000 for extra-special opportunities. The RA had allowed its scheme to lie dormant. Now it is operating at all systems go.

The attraction is the flexibility of the benefits. Most sponsors can expect discounts for their employees when they visit RA exhibitions; but it can also open the Academy's doors to exclusive dinner parties; for early morning visits for the few; and sponsorship opportunities. Basically, if you support the RA, then the RA will do what it can to meet your artistic needs. It has even persuaded Cox Moore to sponsor the launch of the scheme.

This pursuit of business rather than relying on state aid has naturally won the approval of the Prime Minister, who is Patron of the Corporate Membership Scheme, her only personal commitment to the arts. It follows on from the RA's great success in that other potential source of financial help - private patronage. It now has over 40,000 Friends, each paying £12 a year.

Few institutions are so closely entwined with sponsorship as the RA, and all its main exhibitions are only possible with corporate help. Not that this eliminates losses. The Age of Chivalry attracted an unprecedented £450,000 from Lloyds Bank as a guarantee against loss. All this sum will be taken up and the RA will still carry a deficit from a show which attracted better critical acclaim than audiences. In contrast, the current exhibition, some of the Old Master paintings of Baron Thyssen, is far exceeding its attendance estimate and the sponsors, The Times, may get some of its more modest - under £100,000 - guarantee back.

* * *

Some of the largest sponsorship investments by UK companies pass unnoticed because they are concerned with overseas touring by the leading British arts companies. Barclays has spent over £1m helping the Royal Ballet on its foreign tours, and Glaxo is currently supporting Sadler's Well's Royal Ballet in the Far East.

Often the British Council is also involved in these missions of cultural good will and, with the appointment this month of John Nickson as its first business relations manager, a more professional approach can be expected, with companies vigorously encouraged to promote exports on the back of the excellent reputation abroad of the British arts.

The first fruits of the new drive will be a major art exhibition at the Prado in Madrid in October under the title "British painting: Masterpieces from Hogarth to Turner." Barclays is backing it with £150,000, and there are hopes that it will be opened by the Queen.

Taken alongside Thomas Cook's support for the London Festival Ballet in Egypt, Marlborough Fine Arts not totally uninterested aid for the Francis Bacon exhibition in Moscow, and the Glaxo initiative, business will have lifted its backing for the arts abroad to £350,000 this year already. And there are hopes that the National Theatre will find a sponsor for its visit to the Soviet Union in May and that, for the first time, the UK's artist at the Venice Biennale, Tony Cragg, will be aided.

Working with the British Council has undoubted benefits. It sets up the initiative and provides some cash. It also has the contacts, both overseas, and, obviously, in the British Establishment. Since 1981 it has raised over £2.5m of sponsorship money, mainly for arts events. But Nickson also has the task of persuading business to help out overseas on a broader front than just the arts. There are already precedents: Shell and the Hong Kong and Shanghai Bank's part funding of the Brunei office of the Council, and BP's financing of an Egyptian tour by a British engineer.

* * *

Arts sponsorship is now well enough established to become susceptible to fashion. Currently companies are exploiting the opportunity provided by arts events to cultivate existing and potential customers. They want attractive surroundings; an event tailored to their needs; and a little light music.

No music is lighter than the baroque and later, and sponsors, in particular City-based sponsors, are falling over themselves to link up with bands concentrating on this period. The Burton Group is supporting the London Mozart Players, under its charismatic conductor Jane Glover; the troupe formed by Diana Ambache to play mainly Mozart has marketed itself towards sponsors and has already performed for PA; accountants Pannell Kerr Forster are behind the London Baroque; Charterhouse is backing the Age of Enlightenment; and now Music at Oxford is to receive £60,000 over two years from accountants and consultants Arthur Andersen.

In less than five years Music at Oxford has expanded to promote over 100 concerts annually. It is among that new breed of arts group that receives no money from the Arts Council: perhaps that is why Arthur Andersen's support has attracted an additional £10,000 under the Government's Business Sponsorship Incentive Scheme, the self-help competitor to the Arts Council.

Music at Oxford sums up the new approach. It plays in beautiful settings - the Sheldonian, New College Chapel, Christ Church Cathedral - and guests can be entertained in even more picturesque surroundings: the gardens and rooms of Oxford colleges. The music is socially acceptable too: it is much more tuneful than the tone-deaf guests anticipate and it does not last too long. And while Arthur Andersen has entertainment opportunities, the promotion of its name among the new breed of career-minded undergraduates is an added bonus. Music at Oxford is set to extend its operations to Cambridge in the near future, giving its sponsor the benefit of an arts institution on the move.

Another musical group, the Hanover Band, which attempts to recreate the original sound of the music of the past, has also attracted new sponsors. Premier Office Suppliers; Ambric Computers and Enichem are first-time sponsors of the arts and are each putting in £10,000. The first two supplied equipment to the Band's offices, and are now paying a pleasant premium for the business.

* * *

The oil companies are suddenly reasserting themselves as major sponsors of the arts. Shell has just announced the biggest sponsorship seen in the UK, £3m over three years to promote the work of BAFTA, which represents the British film and television industry, and BP is providing £120,000 for the National Gallery exhibition of masterpieces of French art from the Soviet Union, which opens on June 15.

This BP sponsorship is significant for both parties. Traditionally BP has concentrated on contemporary arts activities and on events aimed at a young audience (the old familiar story) while the National Gallery has not sold itself energetically to sponsors. Now BP has picked up a substantial bill, at short notice, for an up market occasion. Only thirty eight paintings are coming to the UK, but they are of magnificent quality, and include works by all the major names, Boucher, Ingres, Cezzane, Van Gogh, etc. The National Gallery can be expected to pursue a more energetic exhibition policy in future and to court corporate sponsors, not least in matters of refurbishment of its fabric.

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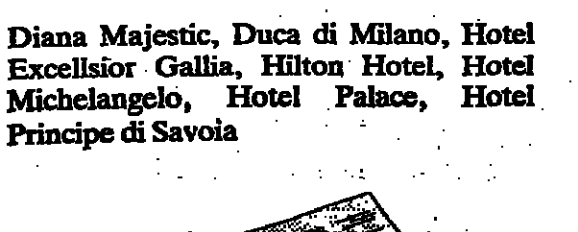

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Arts Guide

April 8-14

Music

LONDON

English Chamber Orchestra conducted by Steuart Bedford with Arto Noras, cello and Louise Winter, mezzo-soprano. Handel and Haydn. Queen Elizabeth Hall (928 3191) (Tue)

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with Itzhak Perlman, violin. Tchaikovsky. Royal Festival Hall (Wed). (928 3191)

Academy of St. Martin-in-the-Fields chamber ensemble directed by Kenneth Sillito with George Malcolm, harpsichord. Purcell, Arne, Handel, Pachelbel etc. Queen Elizabeth Hall (Wed)

Royal Philharmonic Orchestra, Pro Musica Chorus, Brighton Festival Chorus conducted by Sir Charles Mackerras with Stephen Roberts, baritone. Vaughan Williams, Elgar and Walton. Royal Festival Hall (Thur)

TOKYO

Sergio Daniel Tiempo (piano). Haydn, Beethoven, Chopin (Mon), piano concertos by Liszt and Chopin, with Tokyo Philharmonic Orchestra (Thurs), Suntory Hall (505 1010).

Jessye Norman, Beethoven etc. (Mon) Tokyo Bunka Kaikan.

John Lill plays Beethoven piano sonatas. Casals Hall, Ochanomizu (Wed) (291 2525).

Cecile Ousset (piano), Tokyo Philharmonic Orchestra, conducted by Argeo Quadri. Clementi, Mozart, Cherubini. Tokyo Bunka Kaikan. (Tues) (256 9696).

Dang Thai Son (piano) Scriabin etc. Suntory Hall (Wed) (505 1010).

Aurele Nicolet (flute), Tokyo Bach Orchestra. Bach, Mozart. Suntory Hall (Thurs) (501 56368)

PARIS

The Exiles' Concert. Lourie, Rachmaninoff, Tcherepnine, Liapunoff (Mon). Comedie des Champs Elysées (45 04 12 15)

Paata Bourchouladze recital (Mon). Theatre de l'Athenée (47 42 67 27)

Discoveries - 2 by the Ensemble Intercontemporain conducted by Kent Nagano: Joji Yuasa, Yves-Marie Pasquet, Aaron Kernis (Mon). Centre Georges Pompidou, Grande Salle (42 78 79 95).

Teresa Berganza, mezzo-soprano, Juan A Parejo, piano (Mon). TMP-Chatelet (42 33 44 44).

Ensemble Orchestral de Paris conducted by Roberto Benzi, Jean-Jacques Kantorow, violin: Rossini, Paganini, Bizet (Tue) Salle Pleyel (45 63 88 73).

Orchèstre de Paris conducted by Claus Peter Flor, Ghidon Kremer, violin, Jacques Remy, Timpani: Beethoven, Matthus, Schumann (Wed, Thur) Salle Pleyel (45 63 88 73).

Nouvel Orchèstre Philharmonique conducted by Gilbert Amy: Luciano Berio, York Hoeller, Georges Aperghis (Thur). Radio France, Grand Auditorium (42 30 15 16)

Ensemble Vocal Alix Bourbon and the Ile de France Baroque Orchestra perform Messiah in its original version, performed by the (Thur). Saint-Roche Church (42 61 93 26).

ITALY

Rome, Auditorium in Via Della Conciliazione. Giuseppe Sinopoli conducting Mendelssohn and Tchaikovsky. (Mon and Tue) (65 41044).

Rome, Oratorio del Gonfalone. Flute concerti by Boccherini and Stamitz played by Angelo Persichilli with the Gonfalone Chamber Orchestra. (Thur) (65 75952).

Rome, Teatro Olimpico. Bruno Giuranna (viola) with the Quartetto Accademica. Mozart and Brahms. (Wed) (39 3304)

Parma, Teatro Ducale. Gruppo Musica Insieme di Cremona conducted by Pietro Antonini playing Britten, Stravinsky and Wolf-Ferrari. (Wed) (35561)

NETHERLANDS

Amsterdam, Concertgebouw. Bernard Haitink conducting the Concertgebouw Orchestra in Mahler's Eighth Symphony, with soloists and massed choirs led by the Philharmonia Chorus of London (Wed). Itzhak Perlman, violin, and Bruno Canino, piano: Schubert, Prokofiev, Grieg (Thur) (71 83 45)

Utrecht, Vredenburg Recital Hall. Schubert Quartet: Mozart, Schubert, Verdi (Tue). Michael Ponti, piano: Mendelssohn (Wed). (31 45 44)

Groningen, Oosterpoort. The Rascher Saxophone Quartet (Tue). (13 10 44)

NEW YORK

Alfred Brendel. All-Schubert piano programme Carnegie Hall, (Mon) (247 7800).

Vermeer String Quartet. Beethoven, Britten, Dvořak Kaufmann Hall, (Tue) (996 1100).

City of Birmingham Orchestra and Alfred Brendel. Simon Rattle conducts Holloway, Beethoven, Sibelius. Carnegie Hall. (Wed). (247 7800).

Coletti-Martin-Mitchell Trio. Ravel, Mews, Bax, Saint-Saëns, Vieuxtemps, Debussy Kaufmann Hall, (Wed) (996 1100).

Clarion Concerts Orchestra. Newell Jenkins music director. D'Anna Fortunato (mezzo-soprano), Elaine Bonazzi (alto), Jeffrey Thomas (tenor). Gluck, Sammartini, Merkin Hall, (Wed) (362 8719)

WASHINGTON

National Symphony, Christopher Hogwood conducting. Loren Kitt (clarinet), Judith Nelson (soprano), Catherine Robbin, (mezzo-soprano), David Gordon (tenor); David Evitts, baritone, with Washington Bach Consort Chorus directed by J. Reilly Lewis. All-Mozart programme (Tue 7pm); Rafael Frühbeck de Burgos conducting. Beethoven, Stravinsky (Thur 8.30) Kennedy Center Concert Hall, (254 3776)

CHICAGO

Chicago Symphony, Klaus Tennstedt conducting. Blacher, Haydn, Dvorak (Tue); Erich Leinsdorf conducting, Walter Klein piano. Haydn, Stravinsky, Beethoven (Thur). Orchestra Hall, (435 8111)

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Saleroom /Antony Thorncroft

Happiness is a Lee piano

Christie's is up to its neck in Liberace at the moment, selling off over four days at the Los Angeles Convention Centre almost 2,500 bits and pieces acquired by "Lee" during an ostentatious life which ended last year. The unretiring piano player collected what he called "happy-happies", although critics might describe many of them as tasteless baubles.

The first session on Saturday included more than a dozen of his pianos, and a Baldwin grand piano, with a transparent lid, went to Emanuel Antiques of London for £26,412, above estimate. All the custom-built pianos sold well, with successful bidders whoopeeing with joy as the hammer fell.

Perhaps the most interesting item in the session was a crystal buffet table, reputedly built by Baccarat for the Maharajah Bahadur Shah II, Emperor of India, in 1850. With 66 separate pieces of fine crystal it was bound to catch Liberace's buying eye. It is now owned by Asprey's, the London dealers, and will form an attention-grabbing centre piece to its stand at the Grosvenor House Antiques Fair in June.

This week in London both Sotheby's and Christie's are holding major sales of Islamic art. The main feature of this market in the past year has been the sharp rise in price for Ottoman works of art. This is mainly because of growing prosperity in Turkey, and a loosening of exchange controls there, which has created a group of rich collecting Turks. The current exhibition devoted to Suleyman the Great at the British Museum and an exhibition of 400 years of Ottoman art at the Kyburg Gallery in Duke Street London are feeding the renewed interest.

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Monday April 11 1988

The lessons of terror

ONCE AGAIN in the past week, Middle Eastern terrorism has demonstrated its unique capacity to shock and confound.

After a period in which the world had begun to think it had reduced the threat of air piracy, the hijacking of the Kuwaiti Boeing 747 to Iran and Cyprus has brought the issue back to the forefront of international attention. It has demolished any suggestion that the West, by combining to confront terrorism, is anywhere close to defeating it. *Whatever the outcome*, it should also prompt further thought about the multiple Middle Eastern crises which appear to have spawned it.

The hijacking stems from the arrest of 17 Arab militants in connection with bomb attacks on the US and French embassies in Kuwait in December 1983. Demands for the release of these prisoners have featured in a long series of terrorist outrages, including the kidnappings of Westerners in Beirut. Kuwait has stood commendably firm throughout in refusing to treat either directly or indirectly with hostage-takers or their sponsors – *in contrast with Western* nations including the US, France and West Germany.

Political phenomena

But the hijacking is also a product of broader political phenomena, combining the anarchy that is contemporary Lebanon with *the fervour inspired by* Iran's Islamic revolution. The hijackers have taken pains to conceal their identities, but may well include Lebanese Shia Moslems allied with those responsible for hostage-taking.

This puts the current crisis in the same context of Shia activism as the suicide car-bombing of the US marine barracks in Beirut in 1983, Iran's unyielding pursuit of its war against Sunni-ruled Iraq, the continuing attacks on Israeli forces and their proxies in southern Lebanon by radical Shia groups, and the string of attempts at subversion in Kuwait.

In many ways, the violent Shia groups represent a more potent menace than other recent forms of terrorism. The hijackers in Larnaca are fanatically dedicated to their cause of universalist Islam and social protest.

Genuine message

Their activities also contain a genuine message about the need for imaginative efforts to resolve Lebanon's chronic political mess. Radicalism has grown exponentially among Lebanon's Shias – always a deprived underclass – since the Israeli invasion of that country in 1982. It has flourished as Shias have poured into Beirut's teeming suburbs and the power of central government has waned. The anti-Western sentiment which seems to accompany *it is one of the factors which has* led many people to conclude that Lebanon is, in the phrase of Mr George Shultz, the US Secretary of State, like "a plague-infested place from the Middle Ages" which had to be "quarantined".

This was never a responsible or helpful attitude: Lebanon's lawlessness has a habit of spilling over. If for no other reason than that, Mr Shultz should be encouraged in his renewed effort with Syria, which demonstrated its influence in the country on Friday by refusing the hijacked aircraft permission to land, to broker fresh political arrangements in Lebanon as part of his faltering *Middle East diplomacy*.

Then there is Iran. The Tehran authorities were clearly embarrassed to have the hijacked Kuwaiti aircraft on their soil at *the north-eastern town of Mashhad* last week. But there is no doubt that they sympathise with the hijackers' aim of putting pressure on Kuwait for the release of the 17 prisoners. Iran also does not deny that it exercises considerable influence over the hostage-takers in Lebanon, which has been the only place where it has had any success in exporting its revolution.

Even if Tehran does not have a hand in the current hijacking, Western governments should do all in their power to contain its harassment of states like Kuwait in pursuit of the Gulf war and to stop it fomenting trouble in the region's worst problem country, and should certainly resist any further temptation to bargain for hostages.

Low profile for G7 meeting

EXPECTATIONS of the Group of Seven industrial countries' meeting in Washington this week are little more than modest; justifiably so, since there is much in the economic situation for policy-makers to be modest about.

The outcome of last year's efforts at co-operative economic management, most notably the support operation for the dollar, could scarcely be described as happy, since the increase in money supply arising from central bank intervention contributed significantly to the speculative *boom* in world equity markets. The subsequent stock market crash was, among other things, a reflection of investors' concern at the inflationary impli*cations of so much liquidity pour*ing into the system.

The Group of Seven has subsequently wrested the initiative from the markets, with the post-crash relaxation of monetary policy offsetting most of the deflationary impact of the October crash. From the turn of the year, the dollar has also enjoyed relative calm. But nervousness has started to reappear in the currency markets – a comment on the absence of substantive co-operative effort to address imbalances in the world economy.

Payments imbalances

On the basis of present policies and exchange rates, the *International* Monetary Fund reckons that payments imbalances will remain at unsustainable levels, even if they appear to be shrinking in the short term. Its projection for the US current account deficit is for a decline from last year's \$160bn to a still hefty \$130bn in 1989. If that errs on the side of gloom, few other forecasters are looking for substantially greater improvement. Nor is there much chance of significant movement on the *US budget deficit* in a presidential election year.

Outside the US, it remains to be seen whether the Japanese are willing and able to maintain the present expansionary thrust of their policy. And West Germany's predilection for low growth, low productivity and low investment continues to *cast a* shadow over Continental Europe.

This slow-motion adjustment process hardly amounts to a propitious background for major initiatives. The kind of return to managed exchange rates outlined by Mr Nigel Lawson last September was always open to attack on the ground that it would be difficult to launch until reasonable payments adjustment had been achieved.

The call by Mr James Baker, the US Treasury Secretary, for a new commodity price indicator will be given a further airing this week. But here there are more fundamental objections. The price of commodities is hugely volatile and their production is inelastic in the short run, which *hardly makes them an ideal* anchor for global monetary policy.

Commodity prices

Those who favour the Baker proposal argue that by targeting commodities, the inherent tendency of commodity markets towards feast and famine would be reduced. But politicians and officials outside the US will take some convincing that price stabil*ity can be so easily attained* or that the developed economies would escape shocks, as monetary policy responded to the commodity price pendulum.

The one area where there does appear to be scope for constructive pronouncements relates to the debt crisis. Here the IMF plans to bring more flexibility to *its Extended Fund Facility* and to contingency financing arrangements to cope with uncontrollable external developments.

Yet, this is inevitably a sideshow, when everyone's attention is fixed on Brazil's rescheduling negotiations with the private banks. And how far Brazil and others can build on the bonds-for-bank-debt approach, which Mexico adopted with only modest success, is an open question.

Against the present fragile eco*nomic background, any state*ment emerging from Washington this week must be seen as strictly conditional. For, as the central bankers' appetite for financing the US trade deficit wanes, the markets' power to impose their own, more brutal adjustment to current payments *imbalances increases. On present* policy, a further big currency shift can certainly not be ruled out, even if reassuring noises from the Group of Seven provide some temporary calm.

George Graham reports on how attitudes towards takeover bids are changing in France

Too much of a good thing

IT WAS Mr Pierre Bérégovoy, then France's Socialist Finance Minister, who in 1986 gave up his ministry's right to vet all French *takeovers in advance*. His right-wing successor, Mr Edouard Balladur, approves the spirit of the decision, but there have been times in the last few months when he must have yearned for the old powers.

A growing number of public takeover battles, still an unusual event in France, has placed the free-market advocates in a dilemma. Instead of the benign popular capitalism they thought they had created through the privatisation programme, they are confronted by a sharper-toothed animal, personified in public opinion by the asset-stripper and the raider – indeed, the foreign *raider*.

Faced by this metamorphosis, Mr Balladur's liberal intentions are faltering.

"I start from the principle that takeovers are good things, since they permit the mobility of capital. But at the same time it is true that excessive and constant mobility is not a good thing for the company," he said recently.

Out of his hesitation is springing a change in the delicate regulatory balance between the interests of the investor and the ability of the management to defend itself.

Three months ago, the Government's preoccupation in a take*over battle was to ensure the best* treatment for the small shareholder, of whom France now boasts 6m. Today, even though those 6m investors are about to vote in a presidential election, concern has swung sharply in favour of the defence of the company.

The change in mood stems from the bid by Mr Carlo de Benedetti, the Italian financier, for Société Générale de Belgique, across the border in Belgium. Mr

The Government's preoccupation in a takeover battle used to be the small shareholder. Now the concern is to defend the company

Balladur compared the bid, in a French context, to the attempt to take over simultaneously the two investment banking groups Paribas and Suez, the electrical and communications conglomerate Compagnie Générale d'Electricité, and probably the industrial group St Gobain as well – all four of which he had privatised over the previous year.

In fact, a foreign bid for any one of the four – and Suez looked until recently distinctly vulnerable, despite the "hard *core" of friendly* shareholders selected by the minister as a defence against takeover – would provoke a wave of political opposition, both from the left and from within Mr Balladur's own RPR party.

France had become in recent years much less concerned about *the purchase of domestic companies* by foreign buyers. Even the sale to a Canadian group of Martell, a 273 year old family-controlled cognac house which by any definition qualifies as part of the national heritage, was approved in January with scarcely a hesitation.

Finance ministry officials made it clear they would have been embarrassed to be seen blocking inward investment into France at the same time as Compagnie du Midi, the diversified French insurance and holding company, was buying the UK insurer Equity and Law, or Sanofi, chemicals subsidiary of the oil com*pany Elf-Aquitaine*, was launching a bid for the US pharmaceuticals group A. H. Robins.

But recent months have seen a strong return to the *feeling that* French groups need to be protected against outside predators. For the Socialists, Mr Bérégovoy has proposed the creation of a special investment fund which could intervene in takeover battles on behalf of a besieged management.

Mr François Guillaume, the supposedly free-market agriculture minister in Mr Chirac's government, has come up with a remarkably similar proposal for a *fund* specialising in the food industry, which has seen a number of significant foreign acquisitions in recent months, from the Banania and Poulain chocolate companies to *the Lesieur* cooking oils business.

Not all predators are foreign, however – and in any case, Mr Balladur retains the right of veto over bidders from outside the European Community, and considerable delaying powers even over EC bidders.

But the purely domestic battle for Télémecanique, an industrial automation company which is also France's leader in employee share-ownership, has awakened a more general *feeling* that takeovers must by nature be hostile and destabilising.

The bid, from the Schneider electrical engineering and construction group controlled by Mr Didier Pineau-Valenciennes, brought Télémécanique's workers out on to the streets in protest and placed Mr Balladur in a quandary. His subsequent public comments on the bid and his behind the scenes efforts to influence its outcome in favour of a *white knight, the nuclear plant* builder Framatome, have aroused widespread criticism, both from those who regard such state interference as unwarranted, and *from those who regret that he* has not interfered to better effect.

Schneider's latest bid, valuing Télémécanique at FFr8.8bn (£825m), more than 28 times last year's earnings, seemed to have won the day, but the prospect was too much for the authorities to stomach so close to the elec*tion*. The stock exchange, barely attempting to deny that it was acting under pressure from the finance ministry, has stopped the bid from proceeding. It will not reconsider until May 27, and by then the problem will be in the lap of a new government.

Edouard Balladur: tilting the balance against raiders

The number of bids is still tiny in relation to countries like the UK or the US. Only 18 public takeovers took place on the French stock exchange last year, up from 11 in 1986 and 7 the previous year. After the famous battle between BSN and St Gobain in 1968, however, French companies had been frightened off takeovers altogether for over a decade, and the resurgence in the last three years is striking.

Bids have come thick and fast in the early months of this year – Martell, Bénédictine, Oxygène Liquide, Télémécanique, Rhin-Rhône, La Redoute. The term "OPA", or "offre publique d'achat", is now a cult word to use in every context from political commentaries to illicit love-affairs.

But the string of bids has shown up some of the gaps in the French takeover code – contained in the stock exchange rule book and in the accumulated decisions of the Commission des Opérations de Bourse, the stock market regulator, as well as in general company law.

"*The law is feeling its way*. Practically every bid I have been involved in has ended up with some change in the rules, and we haven't yet managed to find a *fair mix* between the interests of the shareholders and allowing companies to defend themselves," comments one of Paris's most experienced takeover practitioners.

In France, takeover rules have in the past generally favoured the attacking company. With the rapid development of bearer shares, defending managements have found it difficult to spot the build-up of hostile stakes; and once a bid is unleashed, they are confined to activities "in the normal course of business", which prevents them from indulging in defensive capital increases, or selling major assets.

"When a company joins the stock market, it must accept the consequences. Listed companies must limit their defensive armoury, or else they must give up their listing," commented Mr Patrick Mordacq, secretary general of the COB, in the newspaper Les Echos last November.

The position has gradually shifted in the defenders' favour. Last year, the threshold at which an investor must declare his stake was lowered to 5 per cent, and Mr Balladur has now asked the COB for another rule change, compelling investors who reach 10 per cent to say what their intentions are.

In addition, the mechanism of "identifiable bearer shares" has just been put in place, which will allow company managements to obtain a shareholder list from France's central securities clearing house, the Sicovam.

The defenders want more, however, and Mr Balladur has now asked the COB and the stock exchange to make proposals on whether companies should be allowed to take action outside the normal course of business when they are under attack: one possibility is to allow an extraordinary general assembly of shareholders to decide on a capital increase. (For this to be possible during the offer period, it would be necessary to reduce the minimum 48 days notice currently required.)

What seems to have been left on one side for the moment is the question of fair treatment for all shareholders. The most difficult takeover problems that have arisen over the last year have been related for the most part not to the normal conduct of a public bid, but to occasions when the formal "offre publique d'achat" procedure itself has been side-stepped.

The lack of transparency is most marked with the private sale of a controlling block of shares, as happened in the case of Martell or of Générale Occidentale last summer, even though companies are obliged to provide "support" for the target's share price after such a transaction, to allow minority shareholders an exit on terms comparable to those obtained by the seller of the controlling stake.

France does not require a full bid to be launched when control changes hands, so the private sale is far more frequent than the public offer. Some bankers, like *Mr Laurent of the CCF*, argue that this private sale procedure needs to be abolished.

More recently, Mr de Benedetti has shown yet another way around the rules by agreeing to sell the entire operations of Buitoni SA, the foods company quoted on the Paris stock exchange which he controls with a 47 per cent stake, to Nestlé of Switzerland. The deal, which is now being investigated by the COB as a possible abuse of a majority shareholder's position, has aroused indignation among Paris stockbrokers, whose clients are left with shares in a cash shell. Crédit Agricole, which *owns 10 per cent of* Buitoni SA, has now filed a lawsuit against the deal.

Among the other muddy areas which many bankers want to see cleared up are the questions of share purchases in the market during a bid – currently permitted at up to 5 per cent above the offer price – and of partial bids, a problem which has arisen in the struggle for Télémécanique.

The bewildering succession of offers for Télémécanique, where both bidders "improved" their offers by lowering the price, though increasing the number of shares they would accept, left many investors in a daze.

The gaps in the French rulebook – which is, nevertheless, much fuller than the Belgian code – mean that the outcome of any bid is highly uncertain. Even Lazard Frères, the leading takeover bank last year in the value of deals handled, has appeared to stumble in its handling of several recent transactions – in the Martell battle, for instance, where it acted for Seagram, or in the Télémécanique dogfight, where it represents Framatome.

Its detractors say that the bank has simply become lazy, and is sitting on its laurels. But Lazard has many defenders in the Paris financial world who feel its mistake has been to try to outrun the natural pace of evolution of the takeover rules. Most practitioners, all the same, feel that it

The term "OPA" (offre publique d'achat) is now a cult word in every context from political commentaries to illicit love affairs

is evolution and not legislation that will solve the shifting problems thrown up by each successive bid.

For Mr Balladur, two weeks away from the first round of the presidential election, the priority now appears to be to strengthen the defensive arsenal of France's listed companies, rather than to grapple with this procedural *morass. He seems to wish to* insert defensive weapons in the rule book, not to rebuild the powers of the ministry.

The fear is that he will now swing the pendulum too far, and allow managements to entrench themselves behind a barrier that prevents them from being taken over.

OBSERVER

Canute in his wisdom

The story about Canute, King of England 1016-1035, is often mistold. The reason why he sat by the shore to command the tide to draw back was to demonstrate the limitations of his powers, not *their extent. The tide, of course,* behaved in its normal way and a lot of people would have got wet, had there not been a statesman-like retreat.

As an English poet put it much later: "King Canute is dead and gone: parasites exist alway."

Yet, whatever the details of the story, Canute does seem to have been an unusual sort of man. He was someone who knew how and when to give up.

The tale comes to mind because there are so many leaders around the world, long after the days when kings and queens and emperors held sway, who do not. Why is it that politicians who have been successful in their early years become so reluctant to step down, even to the point of putting their initial achievements at risk?

Kadar to go

The first and perhaps most topical example is Janos Kadar, the General Secretary of the Socialist Workers' Party in Hungary. There is also President Mitterrand of France, and there are other cases: some imminent, *some on the not-too-distant horizon*.

Kadar will be 75 next month. He became Hungarian leader in 1956 on the recommendation of the Soviet Ambassador in Budapest – a man called Andropov – in an attempt to quell the uprising of that year. Kadar succeeded beyond all *expectations*, becoming perhaps the only leader in a communist state who might have been elected by popular vote. In effect, he did a deal with Moscow: Hungary would stay out of foreign policy and not cause any trouble, provided it was allowed to get on with its own economic policy.

It worked for a while. Yet the economic reforms were never quite bold enough, the Soviets did not exactly help and Kadar stayed too long, denying power to younger and more radical men.

Next month he will probably be out. Indeed, if he is not, a great many Hungarians are going to be disappointed. But that still does not answer the *question of* why someone who achieved so much should have clung to office long after he had ceased to be useful.

French veterans

In France, Mitterrand should surely know better. The seven year presidency has been the curse of the constitution of the Fifth Republic. Perhaps it was necessary at the start for de Gaulle to consolidate power, but even he resigned in the end. For the rest, there has never been a two-term President.

Yet there is Mitterrand, at the age of 71, standing again. If he is re-elected and survives the second term, he will be 78 by the time he goes. He is an intelligent man – we all know that - yet something must have happened to his judgement to make him think that he is the best man to lead France into the mid-1990s. *Possibly that is what is meant* by the old dictum: power corrupts. It corrupts not in the monetary sense, but it corrupts the mind and makes people who hold power believe that they are indispensable.

Singapore watch

An interesting test-case is coming up in Singapore. Lee Kuan Yew has been Prime Minister there since 1959. He said in a celebrated speech a few years ago that no ruler should go on after the age of 65. Lee will be 65 in September.

True, in 1984 his son, Lee Hsien

"I *may not have actually* stopped the tide, but I think I earned its respect."

Loong, left the army for politics and may be being groomed as the successor. We also know from the Indian example that the dynastic touch is not necessarily harmful. Yet handing on the mantle from the father to the son smacks more of a monarchy than a democracy. Perhaps it is in the nature of power that its practitioners wish to make it hereditary. Besides, it is still not certain that Lee senior will step down.

Third world

The longest-serving ruler at present seems to be Alfredo Stroessner who became President of Paraguay in 1954 and is now 75. There are those in Africa who have been in power since independence: President Banda of Malawi, for instance, who was born in 1906, if the records are correct, and President Kaunda of Zambia who is 64 this month. Possibly they should be regarded as outside the mainstream, though their countries, too, may suffer if they do not think about the succession.

Monarchy restored

In Europe the most remarkable transition came in Spain where General Franco actually did restore the monarchy and, with it, cemented democracy. It should, one suggests, be an excellent example for Austria where President Waldheim is unwilling to go, but does great harm by staying. Bringing back the Hapsburgs would be popular in east and west Europe alike, and would not necessarily be undemocratic.

Back to base

Here at home there are no problems at present, though there have been in the past and could be again – possibly on two fronts. Margaret Thatcher, no doubt, will make her intentions plain around September 1989. If, as seems likely, she decides to stay and then wins the next general election, the agony about how long she goes on will come after that.

Yet there is another factor. The Prime Minister is 62. Queen Elizabeth II is 61 this month: almost the same age. It has always been conceivable that the Queen, who has outlasted almost everyone by being on the throne since 1952, would consider if not abdicating (that is an unfortunate word in English), at least retiring rather than staying on like Victoria.

That would be the best way of ensuring that the Prince of Wales succeeds before he is past his prime, and would be in keeping with idea of an evolving monarchy which the present Queen has done so much to foster. It also helps to explain some of the recent speculation that she may be gradually handing over some of her functions to her son.

The obvious age at which to retire would be 65. Yet if the Queen were to go then, and the present Prime Minister were still in office, that could look like a signal.

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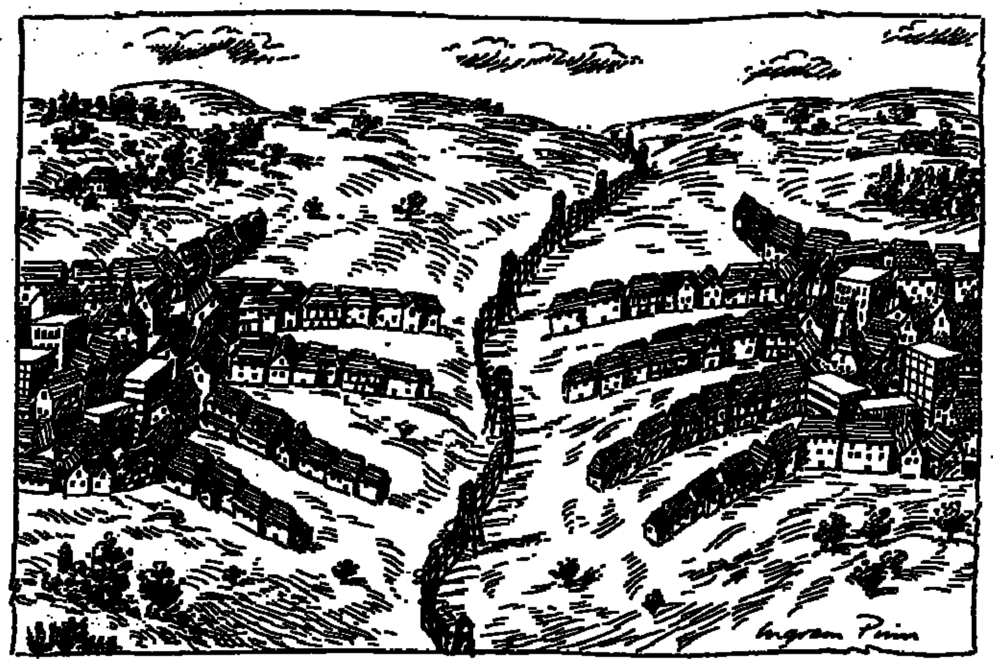
David Marsh assesses a new partnership between two towns divided by the East-West German border

Reaching towards the old days



WHEN THE bombs rained down on Plauen in April 1945 in an Anglo-American air raid which devastated the city, killing more than 500 people, the neighbouring town of Hof, only 17 miles away across the central German hills and woodlands, sent its fire brigade to help fight the flames.

A few months later, the road taken by the fire engines was cut by the post-war cleavage of Europe, beginning a painful separation of two medieval towns with economic and cultural ties going back nearly 900 years.

Now, after four decades of divergence, Hof in the Federal Republic and Plauen in the German Democratic Republic are starting to reforge old links – a symbol of a new search for togetherness between the communist and capitalist halves of Germany.

The two towns, straddling trading routes which for centuries put them at the hub of central Europe, have each become isolated frontier outposts in the post-war states. But last autumn they signed a partnership agreement and are arranging exchange visits of orchestras, sports teams and schoolchildren.

The Plauen-Hof relationship is still uneasy and contradictory. It is inspired, on the surface at least, by diametrically opposite political motives. East Germany wants to emphasise its separateness from the other part of the nation, West Germany is keen to stress unity.

All the same, seams of common ground are coming to the surface, despite the ideological gap.

Mr Norbert Martin, 49, a member of the communist Socialist Unity Party (SED) since 1957 and mayor of Plauen since 1981, states firmly that there will be no "blurring" of different "systems of society" in East and West.

But he also says: "Both sides have to learn to be good neighbours. Capitalism and communism may go together like fire and water – but that doesn't mean we have to shoot at each other."

Mr Hans Heun, 60, who has just ended 18 years as mayor of Hof, is a member of Mr Franz Josef Strauss's ultra conservative Christian Social Union. Mr Heun was the driving force behind the partnership which was finally sealed last year. He believes that East Germany dropped its earlier opposition to the twinning of the towns because it began to think that such arrangements would strengthen the country's credentials as a separate state.

Negotiating the wording of the agreement was difficult as Plauen wanted to include bombastic proclamations about setting up nuclear-free zones, while Hof wanted to concentrate on practicalities.

Mr Heun, however, stresses that he agrees with Mr Martin on one important point: "We both want to do something for peace," which, he says, can only come from greater understanding.

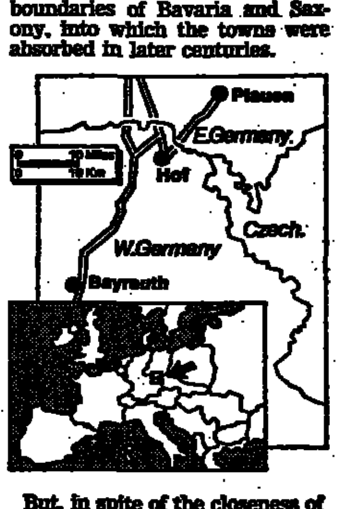
And, whatever the present differences between East and West Germany's motives, he thinks that over the very long term they are on the same path. "I believe that people still have the feeling of being together as a nation. They know that for the moment they cannot change anything . . . but we have a common history which cannot be *eradicated.*"

About 30 East and West German towns have agreed twinning arrangements, the first one dating from the end of 1986. This has mirrored the overall thawing of East-West German relations during the past two years.

The rapprochement was given a boost by the visit of Mr Erich Honecker, the East German leader, to the Federal Republic last September. The latest wave of arrests and subsequent expulsion of dissidents by the East German authorities does not seem to have harmed relations.

The Plauen-Hof partnership is the only one between adjacent towns. The communities were under joint rule in the 13th and 14th centuries.

The people of the two towns have similar dialects and a similar taste in beer. They have never been quite at home within the boundaries of Bavaria and Saxony, into which the towns were absorbed in later centuries.



But, in spite of the closeness of the towns, a visitor with appointments to see the mayors of Plauen and Hof in the same day needs to make an early start.

The unfinished Autobahn between the two towns – one of the many unfinished works of the Third Reich – was closed after the war and has long been overgrown.

Going the long way round by car means using the Hirschberg crossing point, an ugly hole in the grimly fortified East-West German frontier. The journey takes about two hours.

The East German border guards are more friendly and less self-assured than the average customs official at Dover. But, as the winter visitor leaves behind the orderly roadscape of West Germany and enters a land whose dominant colour is brown, the muddy snow in the fields seems *to lie more thickly on the ground.*

At Plauen, in the rebuilt town hall, Mr Martin is waiting behind a large table with a Union Jack on it.

The visitor is first treated to a selection of photographs of the 1945 destruction. The bombing provides one reason why, despite reconstruction, Plauen still looks a bit of a mess.

It has, however, rebuilt its traditional lace-making industry and is also one of East Germany's centres for electronics and precision machinery. The Soviet daily newspaper, Pravda, is printed on Plauen presses.

"Thanks to economic planning, Plauen has had steady economic development since the war," says Mr Martin with a touch of smugness. "Hof has 8 per cent unemployment – that is foreign to us."

Mr Martin, who as a boy was forced by the war to move from Breslau (now in Poland) to Plauen in 1944, says East and West have to co-exist in "peaceful competition" to prove eventually which system is better.

He rejects any idea that East and West Germany form part of the same nation. "National identity is more than just a common language, a piece of common history. It is a matter of the political foundations of the state."

He does however admit that Plauen might be able to learn something from its contacts with the capitalist system. "We could get some ideas for town renovation. But that doesn't mean we are going to implant the capitalist order uncritically into the socialist system," he says carefully.

Later in the day, Mr Heun sometimes echoes Mr Martin's views, sometimes diverges from them.

He stresses his belief in the vigour of West German free enterprise, but recognises that state planning in East Germany has brought industries to Plauen which, because of the post-war sealing of the border, have not come to Hof. Before 1945, up to 80 per cent of Hof's industrial output – above all beer and textiles – was sold in the now-lost East German hinterland of Saxony and Thuringia.

Younger people have moved away from a town seen as a dead end. Hof has one of the highest proportions of old people in West Germany – a position similar to Plauen in East Germany.

Mr Heun, whose wife comes from the Plauen region and regularly plays host to East German relatives coming across on the train, admits that if "a black cloud" crosses relations between East and West Germany, then the *Hof-Plauen partnership will* wither. But he declares: "I think a wheel has started to turn which will not be braked.

"We have been cut off for 40 or 50 years. We are the ones who have no visitors in our restaurants, the football ground, the theatre.

"The final aim is that the East-West border should be like the one with Austria or Switzerland," he says.

If, in a few years' time, people from Hof and Plauen are able to travel to drink beer or go shopping in the two towns in something like the carefree way they did before the war, then that vision will be nearer coming true.

Coloroll's bid for John Crowther

The curtains open on a fight in home decor

By Alice Rawsthorn

COLOROLL has signalled its intention to become a formidable force in the British textile industry by mounting a takeover bid last week for the John Crowther Group. It also fired the opening shots in a battle to furnish Britain's homes.

To date, Coats Viyella, the giant textile group, has dominated the £2.5bn home furnishings market. Other companies, *including Coloroll, challenge it* within individual sectors – Courtaulds in towels, Lonrho in bed-linen and Crowther in carpets – but Coats is the only one which is involved in every area of furnishings. If its bid for Crowther succeeds, Coloroll will add one of the biggest carpet companies in the country to its wallpaper, ceramics, bed-linen and glassware. It too will become a powerful player in every sector of the home furnishings business.

Historically home furnishings has been a dull market. But in recent years increased awareness of design and a public propensity to spend more money on the home has enabled British manufacturers to develop new value-added market niches.

One half of the home furnishings industry, the home textiles business, has responded. It is dominated by large groups – Coats, Courtaulds, Lonrho and Tootal – with hefty capital expenditure programmes. The other half, the carpet industry, is more fragmented and, until recently, has shown little skill at responding to new opportunities in the marketplace.

In the mid-1980s when the rest of the textile industry – including home textiles – had hauled *itself out of recession, the carpet* sector was still in the doldrums.

For years the industry had been scarred by rising imports and surplus capacity. Its management had been too weak to prevent the powerful retailers, Harris Queensway and Allied, from imposing their "pile 'em high and sell 'em cheap" philosophies on carpets.

In 1985 two new forces emerged within the carpet industry. Vantona Viyella (now Coats) became the biggest player by adding Lancaster to Donaghadee, when it took over Nottingham Manufacturing. In the same year Crowther merged Carpets International (CI) with Weavercraft.

Coats and Crowther both embarked on radical reorganisation programmes. Both concentrated production on two plants and centralised administration. Factories were closed and 800 jobs were lost.

This rationalisation provided a sorely needed cut in capacity for the rest of the industry. But both Coats and Crowther found the process to be more prolonged and more painful than expected.

The crux of Coats' problems was that the rationale for buying Nottingham lay in clothing not carpets. Lancaster and Donaghadee functioned within the same area of the market; there was no real logic in bringing them together. Nevertheless their manufacturing facilities have now been reorganised and administration will be restructured by the end of the year. Coats now faces the challenge of reviving Youghal, the troubled Irish company it bought in 1987.

Crowther ran into deeper difficulties. CI was in even more of a mess than it had realised and problems with its computer system caused chaos. By the end of last year, Crowther's profits from carpets had fallen and it had still not solved the problems of its huge Kidderminster plant.

If Coloroll's bid for Crowther succeeds, its chief challenge will be to get to grips with the carpet companies. Inevitably this will involve more rationalisation. One option would be to close Coloroll's existing plant in Somerset; another to wash its hands of Kidderminster. Whatever the outcome, there will be more capacity cuts and job losses in the carpet industry.

Coloroll will have to act swiftly. Coats still has to tackle Youghal but, by and large, its carpet companies are now running efficiently. Moreover the other carpet companies – like Tomkinsons, Brintons, Lamont and Hugh Mackay – took advantage of Coats and Crowther's difficulties to gain ground within the market.

The state of the other side of the home furnishings sector – home textiles – is quite different. Home textiles manufacturers, like the carpet companies, suffered in the slump of the early 1980s. Yet these manufacturers have since taken advantage of consumer trends towards more expensive products.

New technology has played a crucial role in the industry's resurgence. But its introduction has turned home textiles from a labour to a capital intensive industry, the domain of large companies with access to capital. Coats has just begun a three year programme in which it will spend £36m to re-equip its plants and strengthen its market lead. *All its competitors are investing* too.

The level of capital intensity tends to deter new entrants. Yet Coloroll moved into the market in 1980, initially to co-ordinate bed-linen with its wallcoverings. At first it sub-contracted manufacturing to other companies. It bought "grey" (unfinished) cloth on the open market and relied on one of Coats' subsidiaries for finishing.

Coloroll has since invested in its own facilities. Two years ago it acquired a small printing plant and then bought Fogarty, one of the largest makers of pillows and duvets, which had a small textile production unit. It is now investing £8m in printing and making-up facilities at Fogarty's plant in Lincolnshire.

By the end of this year Coloroll will finish most of its products. Within three years it will handle all its finishing. It plans to use its new facilities – and its new found freedom from Coats - to become more prominent in the bed-linen market.

Coloroll is still a small player within bed-linen compared with Coats. If it is to become more powerful, it must be prepared to pay the price for expansion within such a capital intensive and competitive industry.

The level of competition, and of capital intensity, is far lower in carpets. There is clearly scope for imaginative companies to gain ground within the relatively unsophisticated market. But first Coloroll must succeed in winning control of Crowther and then revitalising its carpet companies.

It remains to be seen just how assertive Coloroll will be in challenging Coats Viyella. Yet as Mr John Ashcroft, its chairman, put it: "One of our maxims is not to declare war until our troops are already in place on the battlefield."

Letters to the Editor

Pensions on the move

From Mr Robin Foster.

Sir, Referring to your comments on personal portable pensions (FT leader, April 6), it is probably true that company pension schemes represent a "good buy" for many employees, and of course the value of personal pensions might suffer from fluctuations in financial markets.

However, you are in danger – and so are many large companies – of underestimating the potential attraction of the personal pension option to young, mobile employees.

The structure of many existing company pension schemes works to the disadvantage of those people who, in increasing numbers, advance their careers by moving from job to job rather than staying within one company. Those who, having gained experience with a large corporation, decide to set up their own business, are also unlikely to prefer company pension schemes as these are often structured at present.

Rather than justifying (as you seem to do) current schemes as an expression of corporate paternalism, we would surely do better to encourage companies to reassess their pension schemes with a view to examining their benefits to all employees.

This need not necessarily mean the wholesale encouragement of the personal pension options. Rather it could involve the redesign of company schemes to allow for changing work patterns or more frequent job changes.

Some companies have already taken this route. If benefits are perceived from reducing rigidities in the labour market and encouraging greater job mobility, then the principles of personal portable pensions deserve support.

Robin Foster,
National Economic Research Associates,
18 Park Street, W1

Better to remove the earnings rule

From Mr R. Albinson.

Sir, Your leaderwriter's remark, "It is now impossible to qualify for an adequate state pension" (April 6), prompts me to ask: Was it ever?

The current basic single rate, up to 4 per cent to £41 per week from this week, hardly ranks as adequate – and this is not a pension paid as of right in return for contributions, but a means tested insurance payment.

This means test (the earnings rule) – which has not even been indexed in the Budget – imposes an effective 50 per cent tax on earnings over £3,900 a year, and 100 per cent tax on earnings in excess of £4,108 until the pension is eliminated when earnings reach about £6,300 (for a man aged 65-70). Exempted from this means test is unlimited income from capital gains, investment income, and occupational pension, although the latter has in the past been treated by the Inland Revenue as "earned" income for tax assessment.

The cost of medical insurance just about doubles at the age of 65. I suggest that instead of advising us to mortgage our houses to pay for it, the Government would be seen to be more fair if this earnings rule was removed.

Reducing tax rates from 60 per cent is apparently held to offer stimulus to the economy. Reducing tax from 100 per cent should be beneficial in the same way, particularly in view of the shortage of skilled workers, some of whom are no doubt in this age group – as I am.

Roy Albinson,
Courtlands,
Mayfield Lane,
Wadhurst, Sussex

'Kids need a white knight'

From Mr H.T. Legg.

Sir, If your reviewer (David Thomas, Weekend FT, April 2) has distilled the essence of the books by Mary Warnock and Brian Simon covering the current education scene, then both writers have missed the wood for the trees.

The essence of the Education Reform Bill is that it represents a middle class response to middle class problems. Children – apart from a smattering of geniuses – are stuck with the dependence culture. If they fail to prosper educationally, then the prepared alibi of "parental prime responsibility" can be safely invoked.

There is nothing new in this; management theorists for decades have been describing the ploy of "spreading the responsibility." Since parents are an amorphous lot, the Government is spared the expense of a media campaign to explain to them that they are going to be blamed later on.

Right now kids need a white knight; first to get them started with pre-schooling; then to ensure that teachers match them in motivation and concentration.

Somewhere among the top 25 per cent of our past school leavers are a few who realise that the other 75 per cent need to be adequately equipped to acquire the work skills that will form the base to keep our economy surviving. Philanthropy is out; naked self interest is in.

H.T. Legg,
14 Carson Road
Dulwich, SE21

Anti-semitism was more widespread

From Mr Mariusz Kuklinski.

Sir, There are two points in Edward Mortimer's article on Poles and the Jews ("The Two Saddest Nations," April 2) that I would like to take issue with.

Mr Mortimer concludes: "It is said that before the war Poland was, next to Germany itself, the most anti-semitic country in Europe." Personally I think that Poland's two allies of that time, France and Britain, did not come far behind. In France it was the French police which carried out the enforced evacuation of Jews to the trains taking them to Auschwitz. In Poland it was the Gestapo. There are dark pages of British anti-semitism in the 1930s, too, which perhaps might have been mentioned as well, to keep the story in a proper balance. (I should be glad to contribute, if challenged.)

Second - at the risk of being unpopular – I should like to point out some rather substantial oversimplification in portraying Adam Michnik as "a leading victim of the 1968 purge." Actually Michnik was, with Jacek Kuron, one of the two leaders of the March 8 1968 demonstration at Warsaw University, which triggered a later anti-Jewish campaign.

Incidentally, as General Jaruzelski is mentioned in the story as one who "went along with it," you might care to know that army units which were put into the streets during events in early March 1968 in many cases actually protected the young against charges made by the riot police. It still baffles me why in 1968 it was almost entirely Jewish young people that Kuron and Michnik turned to.

As the subsequent events proved, it was not very wise politically. Or was it? The story still waits for a good investigative reporter.

Mariusz Kuklinski,
London correspondent, Polish Press Agency,
8 Lena Gardens, W6

Few investors can consistently achieve higher returns than the average

From Mr David Damant.

Sir, Perhaps I could just add two points to Clive Wolman's article on the Efficient Market Theory (FT, April 5), reviewed in light of the 1987 crash.

First, it is premature to assume that the crash does not foreshadow adverse economic consequences. In 1929-1930 it was some months before difficulties appeared in the real economy. (It goes without saying that I very much hope that I shall be worrying about the Efficient Market Theory, rather than about the state of the world economies, in the next two or three years.)

Second, the alternative theory put forward, that "positive feedback" for investors leads to a musical chairs situation, is extremely difficult to defend. Superficially it is an explanation of the crash of 1987, but if such an hypothesis were true we should expect to see other breakpoints over a period (mostly, of course, less dramatic, as the fashion of the time leads to over- or under-pricing), with reality suddenly reasserting itself. But this is generally not the pattern: it is only October 1987 which shows such development.

Further to this: the underlying fact – as Clive Wolman points out – is that few if any investors can consistently achieve higher returns than the stock market average. It is perfectly reasonable to suggest that investors can play a zero sum game around a market moving in line with reality. It is an extraordinary hypothesis to suggest that they can play a zero sum game around prices which, because of positive feedback, get out of line with reality.

All alternative theories of the stock exchange, set up in opposition to the Efficient Market Theory, seem to me to fail at this point. If the market is significantly wrong from time to time one would expect to see a significant – even if small – number of out-performers. These out-performers just do not seem to be there.

As a footnote, I wonder whether catastrophe theory can help? A state of affairs could exist where (real) forces act in opposition to produce a stable situation most of the time, but a sudden and dramatic move very occasionally, when the constellation of forces lines up in a particular way.

David Damant,
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Garrard House,
31-45 Gresham Street, EC2

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I

Consolidated total assets climbed 3.2% over 1986 to 247.3 billion Austrian Schillings (US$ 22.2 billion)

II

Consolidated deposits rose 1.5% over 1986 to 198.4 billion Schillings (US$ 17.7 billion)

III

Consolidated equity capital amounted to 8.2 billion Schillings (US$ 0.7 billion). The ratio of liable capital to consolidated assets plus contingent liabilities subject to liable capital reserve requirements rose from 2.94% to 3.26%.

IV

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FINANCIAL TIMES

Monday April 11 1988

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Janet Bush on Wall Street

Showing willing to Congress

NO SOONER had the New York Stock Exchange's voluntary limits on the use of its Superdot electronic order system for stock index arbitrage gone into effect for the first time last week than the Big Board was announcing another move to rebuild investor confidence and subdue volatility.

The rise of more than 60 points in the Dow Jones industrial average last Wednesday was the largest daily movement since the alarming 140 point drop on January 8. In the context of what has been a deeply tedious market for weeks now, Wednesday's rally was an exciting event. It proved that volatility remains an integral part of the market.

It is difficult to get hard evidence through the NYSE's electronic systems of the effect of its 50 point cut-off for stock index arbitrage. Before last Wednesday, arbitrageurs had played close to the wind on five occasions, apparently being active until the Dow had risen or fallen by nearly 50 points but never more.

According to Mr John Phelan, head of the NYSE, trades related to stock index arbitrage continue to account for 10 per cent to 15 per cent of total NYSE volume, a proportion fairly typical of the days before the curbs were instituted.

Last Wednesday showed for the first time that the market will not stop at a magic 50 points up or down just because of the NYSE limits. At some stage, real investors take over as they did last week when they seemed to start buying with some conviction in response to the rise in the market.

The effects of the curbs are mostly psychological – they give the market a benchmark of acceptable volatility in which a 50-point movement is regarded as a large fluctuation simply because it triggers trading curbs.

It is difficult to know exactly what purpose was served by the exchange's announcement last Thursday that it was raising capital requirements for its specialists, given that practically all specialists already comfortably exceed the new minimum, as the NYSE acknowledged fairly openly last week.

Mr Carl Pforzheimer, of Carl H. Pforzheimer & Co, which agreed to share market-making activity in some stocks with Drexel Burnham Lambert shortly after the October market break, says he does not regard the move as simply a token gesture. He said: "This move does beef the rules up considerably, particularly for those at the bottom edge of the pool."%

Mr Edward O' Brien, president of the Securities Industry Association, said the action went some way towards strengthening specialists' capital but managed not to impose particular hardship on any specialist units.

Mr Phelan said last week that other measures concerning capital of the specialist firms were being reviewed but gave no hint as to what these might be. Various specialists speculated that lower limits could be raised again, that perhaps emergency capital reserves could be mandated which would only come into play during emergencies.

To an extent, the increase in capital requirements is, historically at least, significant. The last time the exchange changed the rules it was to lower requirements to $100,000 from $500,000.

There is no doubt, however, that the changes so far announced by the New York Stock Exchange in response to the crash do not add up to anything terribly radical. They do not, for example, seem to be as far-reaching as the margin changes and price limits already implemented in Chicago.

Nevertheless, with the verbal acquiescence of the leading regulators (notably the Securities and Exchange Commission which is under pressure from all sides), the NYSE can argue that it is making some useful adjustments and therefore make a show of showing willing to Congress. One specialist commented last week, and his view seems typical, that the moves on capital requirements were clearly political.

The various self-regulatory organisations (such as the NYSE and the futures markets in Chicago) are being quite honest about their position on the drive in Congress towards tighter regulation. Chicago is clear in its promotion of efficient markets as paramount and in its opposition to legislation.

The NYSE is perhaps being more circumspect (and more political) but nevertheless honest. All the statements which have emerged from the exchange accompanying the various measures it has taken have concentrated on two related concepts: rebuilding investor confidence and dampening volatility. No abrogation of free market philosophy in that.

Moscow may set up special business zones

BY LESLIE COLITT IN MOSCOW

MOSCOW IS considering setting up special economic zones in the Soviet Union, similar to those in China, where Western companies could operate without the restraints imposed by the Soviet economy.

Mr Oleg Bogomolov, director of the Institute of Economics of the World Socialist System, said the Soviet leadership was discussing the establishment of such zones. "There are proponents and opponents," he said.

The zones could be set up near the Black Sea, in the Soviet Baltic republics and in the Soviet Far East.

Mr Bogomolov, an influential economist whose institute serves as a think tank for the Soviet leadership, said local authorities in the Soviet Union were interested in such zones but "not everyone" was ready to adopt new ideas.

Western companies interested in setting up joint ventures with the Soviet Union would be better off operating in special economic zones, Mr Bogomolov said. They would use hard currency and Soviet manpower and could sell products in the West and the Soviet Union.

More than 30 Western companies have set up joint ventures with Soviet companies and negotiations are in progress with 200 more groups.

"At present it is difficult to introduce such joint ventures in the Socialist countries," Mr Bogomolov remarked. They were not compatible, he said, with economies just starting to introduce economic reforms.

Mr Bogomolov, an authority on Comecon, the economic association of Communist countries, suggested that the pace of reforms within the Soviet-led economic and trading bloc would be slow.

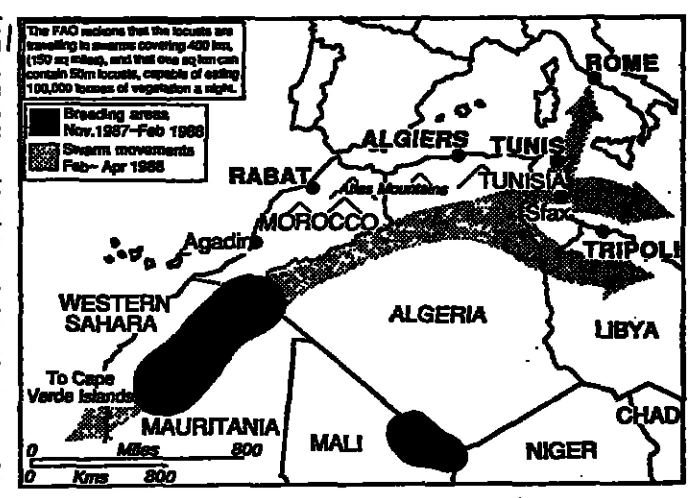
He said conditions for achieving convertibility for the transferable rouble, an accounting device used in Comecon trade, were "not very realistic." Lack of a convertible currency is one of Comecon's major shortcomings.

It would be easier, Mr Bogomolov said, to introduce a convertible rouble secured by gold, hard currency reserves and the Soviet energy supplies, which could easily be sold in the West.

A Western holder of convertible roubles could use them to buy Soviet goods or exchange them for hard currency.

Francis Ghiles reports on the insect swarms crossing the Sahara

North Africa battles the locusts



WHETHER the worst plague of locusts to hit North Africa in 30 years is brought under control will be determined in the course of the next few weeks. That is when the numerous swarms which have invaded Algeria, Mauritania, Morocco and Tunisia must be destroyed before they lay eggs, which by late May could produce more swarms to move across the Sahara.

An emergency meeting called in Rome last week by the United Nations' Food and Agriculture Organisation (FAO), estimated the immediate cost of treating the 2m infested hectares across these four countries at $30m. The final bill, however, could be much larger, may be as high as $150m, not counting the loss of crops.

The locusts have spread as far west as the Cape Verde Islands, while some were reported by a ship 700km south of the islands towards the end of last month. And, only last week, thousands of the dead insects fell on beaches south of Rome. Other parts of southern Europe could be reached in late May or June, although the FAO discounts as "slight" the risk of a major invasion.

On the other hand, the scale of the invasion that could affect the Sahel countries is quite impossible to predict at this point. The last plague, which began in the early 1950s, lasted 10 years.

Two factors help to explain why, 30 years later, the desert locust, one of antiquity's worst scourges, is haunting the Maghrib anew.

First, rains have seldom been so abundant in regions noted for drought, and vegetation there is quite exceptionally lush. Desert locusts eat their own weight in vegetation every day and now they are thriving. Moreover, warmer weather than usual after last winter's storms has hastened the hatching of eggs, which under normal circumstances takes between 50 and 60 days.

Secondly, as the FAO itself concedes, there was a failure on three different occasions over the past two years to check relatively localised infestations which could have been completely controlled. This lies at the root of this spring's invasion.

The first occasion was in Saudi Arabia in early 1986, the second was in eastern Chad at the end of last summer and the third was in Mauretania, the Western Sahara and the south-west corner of Algeria between November 1987 and February 1988.

The latter two, like other breeding grounds in northern Ethiopia and southern Soudan, are areas of armed conflict. Information from these areas is scarce at the best of times, with the countries involved in the various conflicts usually not on speaking terms. For example, Algeria and Morocco only started exchanging information in mid-March.

The defensive wall built by Morocco's 100,000-strong Forces Armées Royales to defend against the attacks of the Polisario Liberation Front, which for nearly 13 years has challenged Morocco's occupation of the former Spanish colony of the Western Sahara, and the Saharan refugee camps in south-western Algeria lie at the heart of the breeding area from where the present wave of locusts originated.

The rich farming areas of Morocco and Algeria that lie, with the exception of the Souss region around Agadir, have as yet not been hit.

However, Tunisia's agriculture has suffered grievous damage. The locusts have invaded central and coastal regions up to the northern port of Bizerta. Vegetable fields have been badly affected, as have date palms and fig and almond trees.

The extensive olive groves around the coastal town of Sfax were saved by a combination of luck - last winter's drought forced the farmers to prune the trees severly and therefore offered little for the insects to eat at this time - and good organisation. Farmers burnt old tyres and beat drums and other metal objects, with the smoke dazing the insects and the noise frightening them away.

This year is certainly going to be less than happy for the country's farmers, who are not expected, because of drought,to harvest more than 500,000 tons of cereal, or less than a quarter of 1987's bountiful crop.

Shortages of pesticide, aircraft, vehicles and spraying equipment have hampered operations to control the locusts, but aid from Western Eurpean countries, the US, the Soviet Union and Saudi Arabia is now making a major contribution.

The FAO is not recommending the use of Dieldrin, which was banned a few years ago because of its toxic effects, although individual countries are free to use whatever old stocks they have. Malathion and Fenitrothion are being extensively used, sprayed onto the infested areas by more than 80 aircraft and fleets of land vehicles.

Morocco, Algeria, Mauretania and Tunisia have all mounted massive operations over the past four weeks. The swarms have been very mobile and often of rather low density, making unsatisfactory targets. The forthcoming campaign will be more static because of the necessity to destroy the next generation of locusts while they are in larval form and thus obliged to travel on the ground.

The younger generation, if it reaches adult age, will be very mobile. The locusts start flying after temperatures rise above 20 degrees centigrade, which by late May happens much earlier in the morning and therefore, because of lack of light, makes the effective operation of aircraft and land vehicles much more difficult.

Even if the next stage of the campaign is successful, not all of the swarms will be destroyed. Work will then have to start to prevent the insects from reaching countries south of the Sahara by June, when the rainy season begins.

Ridding the region of the locusts will, in any case, take at least three years.

North-west African leaders might wish they could follow in the footsteps of Moses who "went out from Pharaoh and entreated the Lord. And the Lord turned a mightly strong west wind which took away the locusts and cast them into the Red Sea. There remained not one locust in all the coasts of Egypt."

THE LEX COLUMN

Mystery of the golden cross

When the favoured explanation for last week's extraordinary rise in the Japanese market is that a "golden cross" emerged on share price charts on Monday, one cannot help feeling that successful investment in Japan requires not just a suspension of disbelief, but superstitious faith, too.

It may be true that almost every time since the second world war the 80-day moving average has crossed the 200-day average, Japanese equities have promptly risen by between 30 and 50 per cent. But this is not an entirely satisfactory reason why a market which looked dangerously overvalued according to any international standard before the crash, now stands at its all time high. Neither does it explain why those onlookers who were feeling edgy about Japan three months ago have become born-again bulls.

Since then, the only thing that has changed is that the feared fall in the market has spectacularly failed to happen. Admittedly, all the same old bullish arguments abound: the economy is healthy, domestic profit growth is set to remain strong, consumer expenditure is accelerating and Government spending is also rising. Meanwhile, there is still enough liquidity in the system to sustain a bull market for a good deal longer. But these arguements will not convince those who believe that all such points have long been reflected in prices. Moreoever, as many of the same factors also apply to the UK, it is not clear why Tokyo has managed to insulate itself from the rest of the world, whereas London has not.

It is hard to find any better reason for such remarkable strength than the sheep-like instincts of investors. The rise in the market seems to have become self-fulfilling as investors have swallowed their doubts and decided that they cannot afford to be left out. Volumes are rising towards typical pre-crash levels, and all the old blue-chip heavy industrial and electrical stocks are finding themselves in fashion once again. Even foreigners have returned to the market, perhaps encouraged by the sight of the Japanese Government deftly changing the rules to prevent a fall in prices at Christmas. After having reduced their holdings by half at the time of the crash, they have been ploughing a steady £1bn a month into Japan since the turn of the year. Meanwhile the wave of forced selling feared from Japanese private investors to meet margin calls has been pre-empted by rising prices, and recently they, too, have become net buyers.

Dollar Exposure

FT-SE :Top 10 direct US$ earners in 1987

	% pre-tax profits
Royal Insurance	63
General Accident	50
Wellcome	45
RTZ	45
Beecham	45
Consolidated Goldfields	40
Reed International	37
Rowntree	35
Hanson	35
BOC	35

FT-SE : Major US$ linked exporters in 1987

	% pre-tax profits
British Aerospace	52
Rolls Royce	52
Sedgwick	20
Guinness	18
P&O	15

Source: Phillips and Drew

The implicit judgment that Japan can be a law unto itself is a dangerous one. Even though foreigners account for a tiny proportion of total holdings, and even though Japan's growth is led domestically, Japan's recent ostrich-like behavior makes it even more vulnerable than before to a sharp fall in world markets. While last time it fared better than everyone else, next time it will be starting from a higher level, and will have further to drop. Were a violent downward movement to start, it would be optimistic to expect either the Government or belief in golden crosses to save the day.

Sterling

What is bad for British industry is certainly bad for the stock market – but maybe not as bad as it looks, and not in the ways one might imagine. To judge from the headlines of the past few weeks, what matters to industry is the impact of the strong pound on exporters, and specifically those who export to West Germany. But according to stockbrokers Phillips & Drew, exports generate only 8 per cent of UK industrial profits, and even then the bulk of earnings are not in D-Marks.

For the stock market, the translation of overseas earnings into sterling has a far greater impact, with some 40 per cent of profits earned from overseas subsidiaries – and the vast majority of them report in US dollars, not German marks. So despite all the political heat generated by sterling's relationship to the mark, it is the dollar which still matters most to UK Plc, and the translation of profits is the stock market's biggest headache.

That makes it fairly easy to draw up a list of those with most to lose from the prowess of sterling: indeed, the market has already put the finger on those viewed as most at risk; if the G7 makes any headway on currency stability later this week, they could begin to look a bit less threatened. In terms of profits generated overseas, the who's who of the vulnerable includes drugs and household products, conglomerates, paper and packaging, mining finance, publishing and printing and the agency sector. In terms of exports, the most exposed sectors are chemicals, motors and mechanical engineering companies: the market did not need much imagination to fix on Glaxo, Jaguar and Rolls Royce in this regard. Textiles, which straddle the two categories of exposure, have also seen share prices suffer badly.

What all this means for the overall level of UK corporate profitability is less clear. A number of leading stock brokers were last week busy reducing their profits growth forecasts for 1988 with sterling in mind, and the prospect of a slide into single figures could not be ruled out. Not surprisingly, the forecasters had the Japanese very much in mind: if Japan could defy the gravity of a strong currency, why not Britain? The answer seemed to be that in this, as in so many other ways, Japan is not Britain. Exposure to overseas profits is higher in the UK, and there is not much companies can do to offset it. They can hedge, but that just puts off the inevitable; and they can borrow in cheap dollars. But basically, they are stuck. And as for improving profitability (pace the Chancellor) pre-tax margins in industry, at 9 per cent, are already higher than at any time for 20 years and jacking them up further when labour costs are rising at 8.5 per cent a year is asking a lot.

But that said, economic activity is strong and should partly offset the worst that sterling can do at its present level – for this year, if not for next. Indeed, this led at least one leading UK broker actually to increase its profits growth forecast for 1988, to 14 per cent. But all the forecasters agree that enough is enough: if sterling appreciates another 10 per cent, UK corporate profits would be looking poorly.

Pakistan arms dump explosions kill 70

BY OUR FOREIGN STAFF

AT LEAST 70 people were killed, and more than 850 were injured yesterday when missiles rained down on the twin Pakistani cities of Islamabad and Rawalpindi following a series of explosions at an army depot.

Mr Wasim Sajjad, the Justice Minister, said the explosions were an accident, thus ruling out any link with the bomb blasts, blamed by the Government on the Soviet-backed authorities in Afghanistan, that have killed more than 250 Pakistanis since 1987.

Doctors said many of the wounded were in critical condition. Missiles crashed down for about an hour after the initial explosion in Ojri army camp, which lies midway between Islamabad, Pakistan's purpose-built capital, and Rawalpindi. The two cities have a combined population of 4.5m.

The Defence Ministry said the explosions started when a fire broke out at the depot. There were no reports of casualties among Islamabad's 25,000 foreign residents.

Troops cordoned off the area round the camp, and officers declined to comment on the weapons stored there. However, a lieutenant commanding troops outside the depot told reporters: "Thank God there weren't many casualties at the camp".

President Zia ul-Haq cut short a visit to Kuwait for a meeting of Islamic leaders, and the Government ordered three days of mourning for the victims. A member of parliament, the former Production Minister Mr Khaqan Abbasi, was killed when a missile hit his car.

A rocket struck the auditorium of the International School of Islamabad where the pupils, mostly children of foreign diplomats, had sought refuge. It started a fire but no children were hurt.

Witnesses said several trucks with Afghan licence plates were parked near the army facility. There was no indication whether the depot contained weapons sent from the US via Pakistan as aid for the rebels in Afghanistan.

The Pakistani Army's weapons include US-supplied anti-tank Cobra and Tow missiles. Fires continued throughout the day, crackling with the explosion of small arms. Unexploded projectiles littered an area several miles around the depot.

W Europe hits new car production high

BY KEVIN DONE, MOTORING CORRESPONDENT, IN LONDON

WEST EUROPEAN car production surged to a record level last year exceeding the previous peak set in 1973 by about 600,000 units.

Output rose most strongly in Belgium, Britain and France, helping to confirm Western Europe as the leading vehicle production region of the world.

Net passenger car production increased 5.6 per cent to 12.2m vehicles from 11.5m in 1986, according to Automotive Industry Data (AID), the European automotive newsletter. In Japan, net passenger car production totalled 7.9m and in the US the total was 7.1m.

West European car sales in the first quarter of 1988 have continued to surge, suggesting that the long-running European car boom will continue this year despite industry forcasts of a modest decline after two record years.

West Germany remains the main European producer, accounting for 35.9 per cent of total output in 1987 with a 1.5 per cent increase to 4.4m cars.

France, in second place, increased car production by 10.1 per cent to 3.05m vehicles, the highest level for eight years, while output in Italy rose by 3.7 per cent to 1.7m and in Spain by 7.1 per cent to 1.1m units.

The UK, once the West European industry leader which then suffered a long period of decline, is now in only fifth place in the production league. Output has recovered strongly from the depths of the recession in the early 1980s, however, and jumped last year by 12.4 per cent to 1.1m cars.

The boom in demand has temporarily banished talk of over-capacity in the European car industry. This is despite moves by Japanese car makers to establish new plants in Europe.

West Germany's Volkswagen group, which includes Audi and Seat, easily maintained its leading position in the European production league with net output last year of 2.2m cars, an increase of 4.7 per cent, which gave VW a 17.9 per cent share.

Peugeot of France (including Citröen), whose fortunes have been revived strongly in the last two years, largely by a series of successful new model launches, pushed Fiat of Italy out of second place with a 14 per cent jump in output to 1.7m cars.

The Peugeot group is the fastest growing of the big six volume car producers in West Europe.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	C	16	61	Malta	S	24	75	Rhodes	C	19	66
Algiers	C	18	64	Edinburgh	C	9	[illegible]	Manchester	C	10	50	Rio de J'o	C	32	90
Amsterdam	S	8	46	Faro	S	18	61	Manila	C	32	90	Rome	S	17	63
Athens	S	21	70	Florence	F	18	64	Melbourne	S	19	66	Salzburg	F	4	43
Bahrain	S	27	81	Frankfurt	S	7	45	Mexico City	F	23	73	San Francisco	F	14	57
Bangkok	F	35	95	Funchal	F	20	68	Miami	S	21	70	Seoul	S	14	57
Barcelona	C	13	55	Geneva	F	9	48	Milan	F	17	63	Singapore	R	32	90
Beirut	-	-	-	Gibraltar	S	18	64	Montreal	F	2	36	Stockholm	S	4	39
Belfast	C	10	50	Glasgow	C	11	52	Moscow	F	6	43	Strasbourg	C	8	46
Belgrade	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17	63
Berlin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23	73
Biarritz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18	64
Bombay	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29	84
Bordeaux	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	21	70
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13	55
Budapest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	34
B. Aires	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	26	79
Cairo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14	57
Cape Town	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15	59
Caracas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	45
Casablanca	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5	41
Chicago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	45
Cologne	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	45
Copenhagen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			
Corfu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			
Dallas	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]			

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Saudis back Opec review

Continued from Page 1

of Saudi Arabia last week.

He was also highly critical of the price discounts known to have been offered by Saudi Arabia to its leading customers.

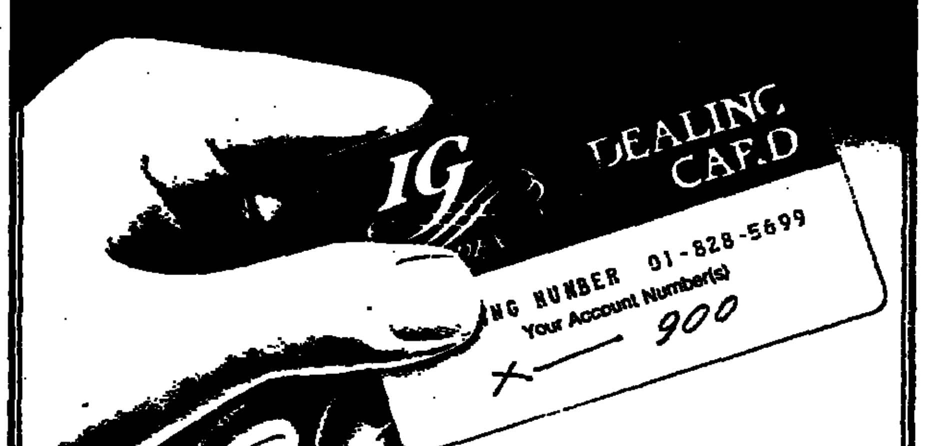
Mr Nazer insisted that Saudi Arabia was committed to a price of $18 a barrel, but wanted proportionate sacrifices from other producers to achieve it.

Saudi Arabia's reason for agreeing to the conference on April 25 remains a mystery. But it was assumed among other delegates and Opec officials that Mr Nazer received the go-ahead from King Fahd.

Until March 23, Saudi Arabia resisted even a meeting of the ministerial committee on prices, which was established last summer and empowered to meet if there was "any significant change" in the market.

The seven non-Opec producers – which do not include Britain and the Soviet Union – held secret consultations in London last month, but were understood not to have reached any firm consensus as to how far they should go in co-operating with Opec.

WHY DEAL WITH A FINANCIAL BOOKMAKER?



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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday April 11 1988

TRAVIS & ARNOLD
Timber, Building Materials, Heating and Plumbing Equipment for the Construction and Allied Trades.
Northampton 52424.

INTERNATIONAL BONDS

Japanese equity warrants emerge as flavour of month

A CRYSTAL BALL is hardly necessary to predict that the Eurobond market flavour of the month for April is Japanese equity warrant bonds.

The surge in the Tokyo stock market, to become the first major exchange to reach a new peak since the October crash, has prompted new issues and supported excellent trade in the market for seasoned warrant issues.

The April 1 start of the new fiscal year in Japan prompted six borrowers to tap the sector. At least 20 issues should be in the market by the end of the month. So far, all have been welcome names which were seeing good demand and trading at generous premiums to issue price.

The Nikkei market average hit a post-crash low of 21,036.76 on November 11 but, spurred by more stable currency markets and optimism on Japanese economic fundamentals, rose to an all-time high of 26,769.22 last Thursday before easing back.

Last week's rally did not surprise operators in the equity warrant market. The surge was presaged by a similar recovery in the warrant market at the end of December when the world's stock exchanges were still shrouded in post-crash gloom.

Now, Japanese market specialists are quipping "Crash? What crash?" and the main Japanese houses have wasted no time in bringing borrowers to the warrant market, estimated to be worth a total $300bn.

The flurry of activity in the sector provides a sharp contrast to the state of the market for European equity warrants. The latest research paper from Banque Paribas Capital Markets cautions: "Given the nervous state of global equity markets, we would expect (European) equity warrants to be no place for investors with queasy stomachs."

Equity warrants, available at the fraction of the price of a share, are risky investments with a heavy gearing element and are consequently prone to huge price swings.

Prolific new issuance of Japanese bonds with warrants attached clogged the market in the middle of last year, and new issues started trading at discounts of as low as four points below issue price as coupons were pared to around 1 per cent.

However, following a brief period of torpor in the aftermath of the October stock market crash, the sector started this year on a better note with more prudent pricing ensuring smooth placements.

Earlier 1988 issues carried 5 per cent coupons, almost two points higher than on those issued just before Black Monday. However, the strength of the market so far this year seems set to ensure a fall in coupon levels parallel to that seen this time last year.

The recent batch carry indicated coupons of 4½ per cent, with the exception of a novel $200m issue by construction company Taisei Corporation led by Yamaichi International which only offered an indicated 4 per cent. This was made possible by its unprecedented four-year maturity, an option only just made available to borrowers following a recent amendment to Japanese Ministry of Finance regulations.

The majority of equity warrant deals carry a five-year maturity and the market's initial reaction to the deal was suspicious, particularly as Taisei simultaneously launched a smaller $100m deal, this time through Nikko Securities, with a conventional five-year maturity and a standard coupon of 4½ per cent.

This caution was reflected in early trading levels with the four-year deal lagging the five-year marginally. By the end of the week, however, the shorter deal had overtaken the conventional five-year issue and was quoted at a premium of 7¼ against a 6 point premium for the smaller deal.

Syndicate managers said more borrowers were expected to take advantage of the new shorter life option which enables them to cut the coupon even further. An additional advantage is believed to be attractive swap rates which allow borrowers to obtain fixed rate yen funding at 1 to 1½ per cent.

This may seem paltry compared with the heady days of last summer on the market's crest, when swaps were effectively resulting in negative interest rates for borrowers. But rates have certainly improved since the post-crash doldrums.

One of these, the long-awaited and already well-bid Sekisui Chemical issue, although eagerly expected last week, may prove elusive until the market signals that a lower coupon will meet good demand.

Future prospects for the market depend, of course, on the continued health of the Tokyo stock exchange. Analysts' views, although bullish for the short term, contain several bear arguments on the longer term view.

Nomura's view is that economic fundamentals suggest the Japanese economy is booming without overheating, with commodity and wholesale prices stable.

For the moment, however, Japanese investors are desperate for these warrants which in effect provide them with a trouble-free way back on to the domestic equity bandwagon with limited downside risk.

This means too that for the time being, there is little prospect of the bulk of the market returning to London. Japanese investors snapped up the warrants disposed of by their wary European counterparts in the wake of the crash and an estimated three-quarters of Japanese equity warrants are thought to be in Japanese hands.

Most of the big Japanese houses have huge orders in to scoop up the new warrant deals at issue. Continental European investors, although not lacking in enthusiasm, have little hope of redressing the balance.

Dominique Jackson

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	965.9	0.0	0.0	5,966.0
Prev	3,250.9	0.0	2,518.2	6,898.6
Other	2,929.1	15.1	748.3	368.1
Prev	3,229.5	348.5	416.5	455.8
Secondary Market				
US$	11,700.3	1,505.1	5,677.8	3,036.6
Prev	19,037.5	1,513.8	6,907.1	6,334.4
Other	14,887.9	739.9	4,706.1	14,575.6
Prev	21,781.3	991.0	5,894.6	19,198.7

	Cedel	Euroclear	Total
US$	7,186.5	21,664.9	28,851.7
Prev	12,090.3	34,370.0	46,460.3
Other	15,844.3	23,125.8	38,970.1
Prev	21,727.9	30,588.0	52,315.9

Week to April, 7, 1988 — Source: AIBD

US motor oil group receives $700m bid from Wall St firm

BY JAMES BUCHAN IN NEW YORK

QUAKER STATE, a leading US independent marketer of motor oil, has received an offer from a Wall Street investment firm which values its business at just under $700m.

The Pennsylvania group, which has seen big turnover in its stock all this year amid growing takeover speculation, said that it had no comment on an offer of $26.50 a share from Ardshiel, a New York investment firm.

The offer was announced after trading closed on Friday. Quaker State's stock, which has almost doubled since the stock market crashed in October, rose $1 to $22¾ in the course of Friday's business.

Ardshiel said it owns about 3.3 per cent of the company.

Quaker State, which is based in Oil City, Pennsylvania, is the second-largest US motor oil refiner and marketer. It operates drive-in motor lubrication centres, sells auto insurance, makes truck lighting systems and owns the Helen coal mining company.

Last year, Quaker State reported a decline in net earnings to $20.2m or 76 cents a share from $50.3m or $2.01 a share on a decline in revenues from $899.1m to $848.0m.

Profits were cut by heavy promotion costs in the slow-growing motor oil business, structural problems at the Helen mine and investment losses at the insurance company.

●Intel, the US semiconductor group, has announced a sharp rise in first-quarter net profits from $25.5m or 14 cents a share to $93.7m or 54 cents.

Revenues soared from $394.5m to $635.8m.

●Abbott Laboratories, the US drugs group, lifted first-quarter net earnings from $141.6m or 62 cents a share to $172.1m or 76 cents. Revenues rose from $1bn to $1.19bn.

EURONOTES AND CREDITS

Tate & Lyle adds spicy twist with Staley bid financing

TATE & LYLE, the UK sugar refiner, has added a spicy twist to the takeover financing which has provided all the excitement for the Eurocredit market this year.

To support its $1.3bn hostile bid for Staley Continental, the US corn refiner, it is seeking to arrange $1.8bn of loans itself. On Friday afternoon it presented the plan to a select group of banks with which it has close relationships.

True, Chase Manhattan has underwritten the entire amount. But it will be called upon to syndicate the loan in the conventional way, or advance the loan itself, only if Tate & Lyle fails to obtain sufficient commitments from its relationship banks.

The bid is a bold one: Staley is larger than Tate & Lyle, and the set of transactions would increase the UK company's gearing to over 250 per cent initially, though this would fall to just below 90 per cent when the food service distribution arm of Staley was sold off.

But Tate, well regarded by its banks, has laid the groundwork for the bid and seems on the face of it likely to secure the requisite commitments from banks. Other deals, such as those for BAT Industries and Eastman Kodak, have been arranged without trouble.

The six-year financing, which is accompanied by a partly-paid £208m rights issue which will only become fully-paid if the bid goes through, is divided into a $1.04bn term loan and a $260m revolving credit.

Tate & Lyle said it was prepared to have a series of bilateral arrangements with banks or one multilateral syndicated loan. Whichever is the case, terms for each bank will be the same. The financing would be reduced in size following the sale of Staley's food service subsidiary.

Neither the borrower nor Chase would comment on the planned terms. But bankers said they included a commitment fee of 10 basis points and a margin of 37.5 basis points above London interbank offered rates (Libor).

Bankers take a cautious view of borrowers which attempt do-it-yourself arrangements. Some have tried and run into hot water – even being forced to abandon the attempt and award a conventional mandate – while others have successfully reorganised their banking credit lines into streamlined, cheaper facilities.

Success or otherwise depends on such factors such as the closeness of relationships, and banks' understanding of the effects of a transaction on balance sheets.

Tate is not new to the game, however. It secured £800m of financing from its relationship banks when it made a bid, eventually blocked by the Monopolies Commission, for S&W Berisford. Though clearly emboldened by this, it could not approach its banks before launching the bid for reasons of confidentiality. Because it needed to be seen to have the financing in place, Chase was asked to underwrite.

Elsewhere, Hungary is expected this week to award mandates for a $200m loan which, like some others for Eastern European borrowers, will be more generous to banks than last year. Previously, Hungary commanded a ¾ point spread over Libor.

Now the argument is over whether it should be a ½ for the full eight years, or contain a ⅝ element. Along the divide-and-rule lines of a recent Greek loan, about eight banks are likely to be mandated jointly.

Manufacturers Hanover Ltd is launching a $250m multiple option facility for CIT Group Holdings, the US financing company which is part of the Manufacturers Hanover group. The committed standby has a facility fee of 10 basis points, a margin of 10 basis points, a fee of 5 basis points above one-third usage and 10 basis points above two thirds, and front-end fees ranging up to 7.5 basis points.

National Home Loans, the UK mortage concern, is to have a £100m mortgage pass-through programme lead-managed by Citicorp Investment Bank. It will have the novel feature of a put option to Sanwa Bank, enabling banks to sell their participations for cash after four and seven years.

Interest is at 37.5 basis points above Libor, rising to 50 basis points after seven years though the average life is expected to be shorter.

Alexander Nicoll

British Petroleum livens up week with £100m bond

BY DOMINIQUE JACKSON IN LONDON

A £100m six-year bond issue for British Petroleum on Friday livened up the end of a quiet week for most Eurobond houses.

The Hambros-led deal yielded 24 basis points over comparable gilt-edged stock at launch.

Given recent oversupply and uncertainties over the course of sterling, this was deemed extremely tight by some market dealers.

Many had hoped that a top-rated sovereign borrower would be the first to reopen the sector.

Other syndicate managers felt this reaction was overdone. "It's probably a bit unfair. The pricing could have been better, it's true, but BP is a good name and the deal is bound to see some demand," said one.

Hambros vigorously defended it, saying it was launched at 9.30am and was working even before a reduction in UK bank base rates was announced later in the day.

By the close of dealing,the spread had widened to 38 points and the deal was trading within total fees at a discount of 1.80 to issue price.

"This was not a UK placement exercise but designed to appeal to continental European investors who have shown excellent demand," a Hambros official commented.

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New Issue — April, 1988

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NEW ISSUE — 8th April, 1988

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Base rate cut fails to create enthusiasm

FRIDAY'S CUT in British base rates was not greeted enthusiastically by gilt-edged securities, but on balance the market appeared prepared to give the Treasury the benefit of the doubt.

The Treasury view that lower base rates did not represent a loosening of the monetary reins, but simply restored the *status quo ante* found a measure of support. The conventional market recovered after falling ½ point, although some inflation bears did find refuge in the indexed-linked sector. That said, nominal interest rates at the lowest level for 10 years somehow does not feel quite right.

Pressure on sterling

When base rates were cut last time the Treasury took pains to deny any mechanical link between movements in interest rates and exchange rates. Friday's move, however, only served to reinforce the view that when sterling rises interest rates will be cut.

This is how it should be if the use of large scale intervention has been foresworn. A further cut could not, therefore, be ruled out if, as the foreign exchange market expects, sterling comes under buying pressure again in the weeks ahead.

Base rates are now 2 percentage points lower than they were before the October slide in share prices, while the effective exchange rate is about 5 per cent higher. Therein lies the Treasury's concept of relative monetary tightness.

But officials, especially at the Bank of England, make no secret of the fact that in a perfect world they would prefer to see base rates at a higher level and the exchange rate somewhat lower. Policy is still caught on the horns of a dilemma and the base rate cut has resolved little for the market or, one suspects, the authorities.

The market is in the grip of two powerful forces. On the one hand there is the belief that the issue of gilt-edged stock will be less than redemptions in 1988-89; on the other hand an uncertain economic background discourages domestic investors from buying the market.

As many have noted, the good "technical position" of the market is enough to discourage any large scale selling; but in the absence of positive economic news, it is not enough in itself to promote a bull run.

The strength of the British economy is expected to be underlined once again when this Friday figures for employment, earnings, industrial production and inflation are released. They should confirm another fall in unemployment, buoyant industrial production and underlying average earnings of about 8½ per cent. A small rise in the retail prices index is also expected.

From the point of view of the bears this is hardly a propitious backdrop for a fixed interest investor. It seems that before the market can advance it needs to be convinced that economic growth can either go hand-in-hand with low inflation or that signs of a slowing in economic activity have begun to appear.

It is a measure of the City's latent distrust of British governments that, despite its support for Mrs Margaret Thatcher, it does not believe she is capable of delivering much lower inflation than is currently recorded. The behaviour of the gilts market has underlined this despite pronouncements of recent weeks which have emphasised the Government's comittment to fighting inflation.

Leap of faith

The underling inflationary pressure in the UK – the rate of growth of average earnings – has been stuck around 8 per cent since 1983. The Government seems to have nailed its credibility to the mast of achieving a lower rate of increase in earnings, hence its use of the exchange rate to force industry to review its cost structure.

In the current climate it takes a leap of faith to invest money on the chances of success, but if the Government does achieve its aim of lower inflation, on the back of lower earnings growth, then the gilt market would have to be fundamentally revalued. In that event, the gains to be made could be considerable.

In the absence, however, of any economic data to suggest that the core inflationary impulses in the economy are being moderated it seems unlikely that the long end of the market will be able to sustain yields below 9 per cent for any length of time.

Simon Holberton

US MONEY AND CREDIT

New York bonds highest for two months

LAST AUTUMN, the US Federal Reserve under Mr Alan Greenspan raised its discount rate and tightened its monetary policy to put the brake on an economy which seemed to be spinning out of control. The result was unpleasant. Long-term interest rates rose into double figures and the stock market fell to pieces.

Most people in the US credit markets think that Mr Greenspan began to tighten monetary policy last week, for the first time since the crash. The result this time was very different. Stocks rose sharply, long-term interest rates fell and bond prices staged their biggest rally in two months.

After a scramble on Friday by speculators to buy back bonds they had sold short, the market ended the week with the Treasury long bond up ¾ point and yielding 8.68 per cent.

The week's rally was all the more remarkable because last Monday, at least, US credit markets were probably in their most bearish mood since the time of the crash. Because the dollar has continued weak since the autumn, bond investors are still anxious that economic growth is merely giving opportunities for wage increases and price rises across the economy. And inflation typically undermines the value of fixed-interest holdings.

Investors have had plenty of time to brood over figures, released on Good Friday, which show that far more jobs were created in February than anyone thought likely at the time. Because the credit markets were closed that day, the foreign exchanges had to deal alone with this inflationary intelligence, and the dollar was traded down to Y124, its lowest point this year.

Returning to work on Easter Monday, the credit markets sold off bonds with a vengeance, driving prices down by more than a point at the long end and pushing the 30-year Treasury yield up to 8.86 per cent.

But that was the end of it. The markets remain extremely nervous, and trading was pretty thin last week, but there is much more confidence about than last autumn.

First and foremost, the dollar looks more healthy. The currency rebounded on Wednesday on a spate of rumours from Tokyo that this week's meeting of finance ministers from the big industrial powers will support the present exchange-rate structure or at least an approximation of it.

The rumours did not amount to much. There are always rumours about exchange-rate bands and collars and floors before G7 meetings and yet the dollar has fallen steadily, and sometimes rapidly. But this time, the markets seem to have decided that the dollar will be steady for a while because nobody has much interest in it falling further – nobody, that is, but the armies of speculative short-sellers.

"My problem in looking for a weak dollar is to work out in whose interests it is," says Mr Bob Brusca of Nikko Securities. "Speculators can only really make headway if there are disagreements."

Fears that Japanese investors might dump dollar assets at the end of their quarterly reporting period in March have proved quite fanciful. As for the US, the last thing it wants is the stimulus of a weaker dollar now that the trade deficit appears to be narrowing and capacity is tight in many parts of the economy. The markets are expecting this week's report on trade in February to provide help to the dollar. There is even wild talk of a deficit in single-figure billions of dollars for the first time in years.

Second, the credit markets have been waiting eagerly for a reversal in Fed monetary policy, which was eased drastically to restore confidence in the stock market in October and then again modestly in late January when recession seemed in the air. Since the second easing, bond yields have risen steadily as long-term investors, who are naturally most prone to inflation fears, have worried about trends towards increased employment in the economy.

In these circumstances, the credit markets were bound to welcome signs of a tighter rein – even if the signs were still in dispute at the weekend. But it appeared the Fed did not meet the banking's system full demand for liquidity last week and this caused the federal funds rate, which is a crucial short-term interest rate, to rise out of its recent trading range of around 6½ per cent to 6¾ per cent and higher.

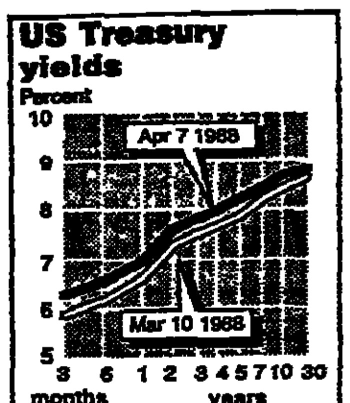
This rise in short-term rates was not fully reflected at the longer end. The differential between the yields on 30-year bonds and three-month bills fell by about 30 basis points, probably meaning that long-term investors believe the modest Fed tightening will do its job in keeping the economy to heel. This seemed also to be the message of the stock market, which has tended to collapse at the slightest hint of higher interest rates. Last week, the Dow rose, and turned in its best performance since before Christmas.

* * * *

In the course of the week, several important economic indicators will be released to the market. With them are the consensus forecasts from economists polled on Friday by Money Market Services of Redwood City, California:

- Retail sales for March, due for release on Wednesday. These are expected to be flat or up a little, with a median forecast of a rise of 0.3 per cent. The forecasts range from down 0.3 per cent to up 0.8 per cent.
- Merchandise trade for February, due on Thursday. The trade deficit is expected to fall from January's $12.4bn, with a median forecast of $11.5bn. The range of forecasts goes as low as $10.5bn and as high as $13.5bn.
- Business inventories, also for February, also due on Thursday. These are likely to be up 0.3 per cent, according to the median of estimates ranging from unchanged to up 0.5 per cent.
- Producer prices in March, due on Friday. The index is expected to rise just 0.2 per cent, though the range of forecasts extends for down 0.1 per cent to up 0.6 per cent.
- Industrial production in March, due on Friday. This is expected to rise a modest 0.1 per cent, with a range from down 0.1 per cent to up 0.4 per cent.

James Buchan



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.92	6.64	6.54	7.78	6.27
Three-month Treasury bills	6.04	5.71	5.73	7.17	5.83
Six-month Treasury bills	6.28	6.04	5.84	7.65	5.41
Three-month prime CDs	6.93	6.70	6.63	8.28	6.30
30-day Commercial Paper	6.75	6.61	6.55	7.62	6.28
90-day Commercial Paper	6.81	6.73	6.67	8.85	6.15

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	101½	+½	8.32	8.37	8.06
20-year Treasury	105⅜	+⅜	8.73	8.81	8.58
30-year Treasury	102	+¾	8.68	8.75	8.51
New 10-year "A" Financial	n/a	n/a	9.40	9.40	9.30
New "AA" Long utility	n/a	n/a	9.75	9.85	9.60
New "AA" Long industrial	n/a	n/a	9.65	9.75	9.55

Source: Salomon Bros (estimates).

Money supply: In the week ended March 28, M1 rose $2bn.

NRI TOKYO BOND INDEX

December 1983 = 100	April 7	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	144.20	4.25	143.64	141.41	132.85
Government Bonds	145.52	3.84	144.86	141.98	131.28
Municipal Bonds	145.48	4.69	144.98	143.15	133.42
Govt.-guaranteed Bonds	146.77	4.69	146.22	144.50	134.32
Bank Debentures	137.63	4.17	137.21	135.97	129.84
Corporate Bonds	142.91	5.30	142.65	140.80	132.78
Yen-denom. Foreign Bonds	143.35	6.42	143.16	140.90	135.53
Government 10-year†	4.78	–	4.80	4.90	6.29

† Estimated par yield

Source: Nomura Research Institute

New circuit breaker from CME

By Deborah Hargreaves in Chicago

THE Chicago Mercantile Exchange plans to introduce an opening price limit for its Standard & Poor's 500 stock index futures contract from April 19.

The exchange says the limit is intended to co-ordinate any imbalance that may occur at the opening of the New York Stock Exchange. The limit was prompted by a 20-point drop in the S&P 500 futures as soon as the market opened on October 19, when many stocks were halted in New York.

The new limit will put a stop to trading outside a 5 point range either above or below the previous day's settlement price. It will be in place for the first 10 minutes of trading, after which the daily price limit of 15 points becomes effective.

The CME's move is the first time the futures market has imposed a price limit for the market opening. "We think it is a good idea," an exchange official said, and the CME would like to see other exchanges follow its lead. The Brady Commission, set up by President Ronald Reagan to look into the crash, recommended the co-ordination of "circuit-breakers" across all markets.

The CME says it is talking to the NYSE about price limits among other things, but has reached no agreement.

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN BANK 8¾ 91	150	99⅞	–⅛	8.72
AETNA LIFE & CAS 7⅛ 16	200	95⅝	0	8.12
AHFC O/S FIN. 11⅛ 94	100	102	+1½	11.25
A.I.D.C. 11 89	75	101¼	0	8.40
ALBERTA 7¾ 91	750	96⅛	–⅛	8.40
[illegible]				
QUEBEC PROV 13 90	150	108⅛	–⅛	9.20
QUEENSLAND GOVT 11⅛ 89	100	104⅛	–⅛	8.40
RALSTON PURINA 11⅛ 95	150	107⅛	–⅛	10.17
REYNOLDS R.J. 10⅛ 93	100	104⅛	–⅛	9.10
RICHARDSON-VICKS 11½ 93	125	106⅛	0	9.82
ROCKWELL INT 9⅝ 90	200	103	–⅛	8.33
S.A.S. 10⅛ 93	150	102⅞	–⅛	9.64
[illegible]				
SOUTHWEST AIRLINES 6⅛ 98	35	90⅛	–⅛	81.36
SWISS BANK CORP 6⅛ 90	120	117	+3	–5.64
TEXACO CAPITAL 11⅛ 94	500	112⅛	–21⅛	13.80
XEROX CORP 5 88	75	98	0	167.97
[illegible]				
ONTARIO HYDRO 14⅛ 89	150	106⅛	–⅛	8.26
ONTARIO HYDRO 15 92	150	121	–⅛	8.90
OSTER KONTROLLBANK 9⅛ 92	200	101⅛	–⅛	8.64
PACIFIC GAS & ELEC 12 00	75	110⅞	–⅛	10.35
PENNEY J.C. 12⅛ 91	100	106⅛	0	10.46
PEPSICO INC 7⅞ 93	200	94⅛	–⅛	8.75
PEPSICO CAPITAL 8⅛ 91	100	99⅞	+⅛	8.44
PETRO-CANADA 7⅛ 96	200	88⅛	0	9.38
PHILIP MORRIS 9⅞ 98	200	99⅞	–⅛	9.89
POSTIPANKKI 11⅛ 90	75	104⅛	–⅛	8.73
PROCTER & GAMBLE 10 95	150	104⅛	–⅛	9.13
PRU.RLTY.SECS. 0 99	365	36⅛	–⅛	9.84
QANTAS AIRWAYS 8⅛ 96	97	94⅛	0	9.39

CONVERTIBLE BONDS				
[illegible]				
ELDERS UK 5 97	75	104⅛	+2⅛	25.63
FUJITSU 3 99	180	250⅛	+7⅛	0.54
GIBRALTAR SAVINGS 7½ 06	100	47½	+⅛	63.65
GRAND MET 6⅛ 02	100	91	+⅛	27.94
INTL PAPER 5⅛ 02	200	85⅛	+1½	32.56
IU INTL CORPN 6⅛ 2002	75	106⅛	+⅛	–2.04
LTCB 1⅛ 02	200	111	–⅛	–2.32
MCA 5½ 02	300	81⅛	+⅛	28.49
MITSUBISHI BK 1⅛ 02	300	120⅛	+1⅛	–1.43
NEWMONT MINING 7 01	100	111	+2⅛	18.67
NIPPON ELECTRIC 2⅛ 00	150	351	+11⅛	–1.30
ROCKEFELLER CENTER 0 00	952	27⅛	–⅛	–68.56
SANWA BANK 1⅛ 02	300	111	–1⅛	1.68

WARRANTS	Expiry date	Price	Chg on week	Prem
[illegible]				
CHRISTIANIA BANK 7½ 94	17/03/89	3	0	7.60
CITICORP 8 96	01/10/88	1	–1	7.97
CREDIT SUISSE FAN 11⅛ 92	13/02/92	74⅛	–3⅛	9.35
DEN NORSKE CREDIT 8 94	02/03/90	5⅛	+⅛	7.88
DEN NORSKE CREDIT 8⅛ 96	08/08/89	5	–2	8.15
DENMARK 12⅛ 92	31/01/90	96⅛	–4⅛	9.63
FINNISH EXP CREDIT 12⅛ 92	21/11/89	98½	–4⅛	9.34
HEINZ H.J. 7½ 96	01/10/90	3⅛	–⅛	7.49
MITSUBISHI FIN 12⅛ 91	08/11/89	93⅛	–4⅛	9.39
NORDIC INV BANK 7⅞ 96	30/10/91	7⅛	+1⅛	7.74
ROYAL BK CANADA	28/02/90	93⅛	–2⅛	9.43
WESTPAC BANKING 12⅛ 92	31/01/90	92⅛	–3⅛	9.81

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on APRIL 8.

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Japanese gain at expense of other markets

THE JAPANESE stock market has performed so strongly since the October crash that it now represents almost 44 per cent of the capitalisation of the global market, according to figures from County NatWest WoodMac.

Japan's weighting in the FT-Actuaries World Index rose to 43.8 per cent at the end of the first quarter from 39.7 per cent at the end of 1987 and 34.7 per cent on September 30.

Its gain has been at the expense of other major markets, notably the US, whose weighting has slipped to 31.3 per cent from 33.6 at the end of December and 37.1 per cent before the crash. The UK has also lost ground, accounting for only 9.5 per cent of the index compared with 10.5 per cent at the end of September.

COUNTRY WEIGHTS WITHIN THE FT-ACTUARIES WORLD INDEX

% of the world	End-Mar 88	End-Dec 87	End-Sept 87
Japan	43.8	39.7	34.7
US	31.3	33.6	37.1
UK	9.5	10.4	10.5

Figures supplied by County NatWest WoodMac

The FT-A World Indices represent more than 75 per cent of the total stock market capitalisation of 24 major countries, covering all main industry groups and only stocks that are available to international investors.

The Japanese banking sector alone constitutes 10.5 per cent of the World Index, representing more than 75 per cent of the worldwide banking sector.

The increasing dominance of Japan, which last week became the first market to break through its pre-crash high, is bound to cause concern to international funds which seek to track world indices' performance and have been seriously underweight in Japan since October.

In the final quarter of 1987, foreigners disposed of $22.3bn of Japanese shares compared with total net sales globally of $46.5bn, according to a study by Salomon Brothers. "Paradoxically, international selling focused on Japan, the market which has subsequently proved to be the most robust," Salomon says.

Foreigners have been trying to make up the lost ground this year. Figures from the Tokyo Stock Exchange show that overseas investors made net purchases of Y90.38bn ($723m) in March, bringing their total net buying in the first quarter to Y536.3bn.

For US funds investing overseas, the problem of Japan's growing importance is all the more exaggerated. Japan now represents 66 per cent of the FT-A Euro-Pacific Index, which reflects the performance of the international market available to the dollar investor, compared with 58 per cent at the end of September.

Looking at Europe as a whole, the UK remains by far the largest component, representing 47.5 per cent. Germany has the largest weighting in continental Europe with 27 per cent, followed by France with 16 per cent, Italy with 14 per cent and the Netherlands with 11 per cent.

Belgium's weighting in continental Europe has jumped to 6.5 per cent from 4.8 per cent at the end of September, thanks to the dizzy heights reached by the bourse in the heat of this year's battle for control of Société Générale de Belgique, the country's largest holding company.

Alison Maitland

CBOT takes new step towards futures globalisation

THE CHICAGO Board of Trade took another step in the futures industry's race towards globalisation last week with its announcement of a working arrangment with the Tokyo Stock Exchange.

The CBOT said it had reached an "understanding" on trading rights to a Japanese stock index futures contract that will start up on the Tokyo Stock Exchange this summer.

The Chicago exchange will also launch yen bond futures and help its Japanese counterpart in setting up US Treasury bond futures in Tokyo.

The tie-up between the two will be a working relationship rather than a mutually offset trading link, an Exchange official stressed. The industry has moved away from trading links – which allow traders to open a position in one market and close it in the other – as a way to increase their global exposure.

Japanese and CBOT officials will work together on developing the contracts to make them more attractive to US and overseas traders, the Exchange said.

The CBOT has had its yen bond futures contract under development for close to a year and the Topix stock index futures contract will be new for both exchanges.

Topix is a composite index of all the stocks traded on the first tier of the Tokyo Stock Exchange – about 1,700 – which has been developed by Tokyo and is set to start up there by the summer.

Before the contract reaches Chicago's floor it will have to be approved by the Commodity Futures Trading Commission, a process that could take six months or more.

The CFTC has been slow to approve new stock index contracts in the wake of October's market crash and the CBOT will have to wait behind the backlog the agency is considering.

However, the CBOT's rival Chicago Mercantile Exchange is already awaiting approval to trade futures on Japan's bellwether Nikkei stock index, which it says it hopes to launch before the end of the year.

The exchange acquired rights to the index from the Nihon Keizai Shimbun, Japan's financial newspaper, early last year.

CBOT officials have hailed the understanding with Tokyo as the first co-operative effort between a US and Japanese exchange and say they hope to close a firm agreement within the next few months.

In a continuing effort to increase their global reach, US futures exchanges harbour great hopes for the Asian time zone. The CBOT launched its evening trading session last year in an effort to capture some Japanese business.

The exchange also has plans for a link-up with the London International Financial Futures Exchange, although this could be scuppered if the CBOT goes ahead with a suggested early morning trading session.

The CBOT says it has already applied to the CFTC for approval to trade Japanese yen bond futures, which it says it hopes to launch before the end of the year.

The CBOT's US Treasury bond and Tokyo's Japanese Yen bond futures are considered the world's biggest futures contracts.

The CBOT says it will open an office in Tokyo later this year.

Deborah Hargreaves

Hachette enlists support for encyclopaedia offer

BY PAUL BETTS IN PARIS

HACHETTE, the leading French publisher, has enlisted the support of the Walt Disney group in its $444m bid for Grolier, the US encyclopaedia company.

The French publisher has agreed to sell Childcraft Education, the children's toy subsidiary of Grolier, to Walt Disney for $52m if its takeover bid for the US publisher is successful. The Grolier toy subsidiary had sales of $51m last year.

Hachette claimed that the agreement, which would help finance its takeover, was in both the long and short term interests of Grolier.

The French group also claimed it would strengthen the existing links between Walt Disney, Hachette and Grolier. Both Hachette and Grolier are important licensees of Walt Disney.

Hachette launched an initial bid for Grolier last month offering $21 a share cash. After the US group rejected the unsolicited offer, Hachette improved its bid to $24 a share.

The latest offer is due to expire on Thursday.

●Disney is to to withdraw from its proposed Disney/MGM Studio Backlot venture after concluding that the project is financially unfeasible, Reuter reports from Los Angeles.

California chip maker starts year firmly

By Our Financial Staff

ADVANCED MICRO Devices, the California semiconductor maker, boosted first-quarter net profits to $20.15m from $2.89m, on sales up 27.5 per cent to $284.2m.

The earnings outcome, equivalent to 22 cents a share against 4 cents previously, exceeded analysts' expectations.

Mr W.J. Sanders, chairman, said the quarter benefited from the merger with Monolithic Memories last August.

He foresaw significant market opportunities for increased sales and improved operating results as the year unfolds.

Atlas Mining returns to profit in final quarter

BY RICHARD GOURLAY IN MANILA

ATLAS CONSOLIDATED Mining, the heavily-indebted Philippine copper and gold producer, has made its first quarterly profit since 1983.

Net earnings of 157m pesos ($7.6m) in the final three months of 1987 compare with a loss of 294m pesos in the same period a year ago, mainly due to increased copper and gold prices and cost-cutting.

Full-year net loss fell to 175.3m pesos from 976.4m pesos on operating revenue up by nearly two-thirds to 3.71bn pesos from 2.26bn pesos.

For much of last year Bond Corporation Holdings of Australia was negotiating to buy Atlas's debt from creditor banks in return for future gold production. The last offer was to pay 67 cents in the dollar.

Although Bond says the deal is still alive, Bank of Nova Scotia's reluctance to accept any discount on its debt has effectively killed the deal. Bond's offer was contingent on all 19 creditor banks selling their debt so that the Australian company would become the sole creditor.

One option being considered by the company is a share offering which is more feasible after the earnings turnround, but would still be difficult, bankers say.

Lucky spurns American Stores

BY ANATOLE KALETSKY IN NEW YORK

LUCKY STORES, the Californian supermarket chain, has rejected as inadequate the $1.9bn bid which it received two weeks ago from American Stores, the third-largest US food retailer.

Lucky, the sixth largest food retailer in the US, simultaneously announced a poison pill issue of warrants and stated that it was considering "various alternatives to provide greater value to shareholders" than the American Stores offer.

This offer was originally pitched at $45 a share, but American has said that it would raise it to $50.

Lucky's shares stood at about $30 just prior to the bid announcement on March 22, having fallen as low as $20 in the aftermath of the October crash.

In 1986, the company fended off a $85 share bid from Mr Asher Edelman, the New York corporate raider.

Stock market arbitrageurs were pleased by Lucky's response, which appeared to set $50 as a firm floor for any future transaction or restructuring.

Lucky said that the possible restructurings being considered by its board included a reorganisation of the company which would focus on its California operations, a leveraged recapitalisation, in which the company would take on debt in order to pay out a special dividend to shareholders, or a negotiated sale of the company to a third party.

Lucky currently has only about $120m of long-term debt compared with total assets of $1.3bn, suggesting plenty of room for additional leveraging.

●Lord Geller Federico Einstein, the US advertising agency formed by personnel breaking away from a unit of WPP Group, the UK marketing services company, has added two senior managers and named Mr Gene Federico vice-chairman.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nihon Koden Corp.♦	50	1993	5	(4½)	100	Yamaichi Int. (Eur)	*
Taisei Corp.♦	200	1992	4	(4)	100	Yamaichi Int. (Eur)	*
Mitsubishi Paper Mills♦	150	1993	5	(4½)	100	Nikko Secs	*
Taisei Corp.♦	100	1993	5	(4½)	100	Nikko Secs	*
City Fed Cap. Corp.†♦	150	1991	3	(a)	100	Goldman Sachs	-
Futaba Corp.♦	100	1993	5	(4½)	100	Nikko Secs	*
Toyota Motor Credit♦	200	1991	3	8¼	101.1	Nomura Int'l	7.825
SBC Finance♦	200	1990	2	7¾	100⅝	SBCI	7.402
Showa Aluminium♦	120	1993	5	(4½)	100	Nomura Int'l	*
Riken Vinyl♦	60	1993	5	(4½)	100	Yamaich Int. (Eur)	*
CANADIAN DOLLARS							
Canada T'sco Mort. Co.♦	150	1993	5	10⅛	101⅜	Mcleod Young & Weir	9.764
Ford Credit Canada♦	100	1993	5	10	101¼	Goldman Sachs	9.544
Sweden♦	250	1993	5	9¾	101½	J P Morgan	9.361
Hydro Quebec♦	125	1995	7	10¼	101½	Merrill Lynch	9.942
SEK♦	150	1995	7	0	52.9	Wood Gundy	9.523
ECU							
Credit Suisse Fin.	100	1993	5	7¼	101½	CSFB	6.885
STERLING							
BP America♦	100	1994	6	9½	101¼	Hambros	9.109
DEUTSCHE MARKS							
Polly Peck Int. Fin.♦	100	1993	5	6	100	ABC Daus & Co	6.000
B'co H'pano A'cano♦	150	1993	5	5⅜	100	Commerzbank	5.375
Imatran Voima♦	50	1993	5	5	100½	West L B	4.885
Imatran Voima♦	50	1998	10	6	99¾	West L B	6.034
New Zealand♦	300	1993	5	5	100¾	J P Morgan	4.828
Pechiney Inv. NV♦	225	1995	7	5½	99¾	CSFB Effectenbank	5.544
Petugal♦	250	1993	5	5	100½	Commerzbank AG	4.885
Portugal♦	150	1998	10	6	99¾	Commerzbank AG	6.034
DANISH KRONER							
Fin. for Danish Ind.♦	300	1993	5	10	101⅜	Den Danske AF 1871	9.641
SWISS FRANCS							
Advantest§♦	150	1993	-	1⅜	100	Credit Suisse	1.375
Komatsu Zenoah Co.§♦	50	1993	-	1⅜	100	UBS	1.375
Daiwa Industries§♦	20	1993	-	⅜	100	Bank Leu	0.375
Seikitokyu Kogyo§♦	60	1993	-	1⅜	100	Swiss Volksbank	1.375
Kanebo§♦	100	1993	-	1¼	100	SBC	1.250
Towa Real Estate Co.§	80	1993	-	(¼)	100	Credit Suisse	*
Mort Bk of Denmark♦	100	1993	-	4	101	Bqe Paribas (Suisse)	3.777
YEN							
Suntory Int. Corp.♦	5bn	1993	5	6½	109⅝	CSFB	4.319
State B'k of New S Wales♦	10bn	1992	4	7	101⅝	Daiwa Europe	6.525
Bergen Bank†♦	9bn	1993	5	(b)	101¾	Nikko Secs	-
Bergen Bank†♦	11¼bn	1993	5	(b)	101¾	Nikko Secs	-

* Not yet priced. ** Private placement. ♦ Final terms. † Floating rate note. ♦ With equity warrants. § Convertible. (a) 20 basis points over 3 month libor rates. (b) A two-tranche issue with coupons linked to Long Term Prime.

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Canadian sell-offs meet with cool reception

David Owen on why plans for state privatisation have failed to fire the public imagination the same extent as Mrs Thatcher's programme did in the UK

SINCE 1985, Mr Brian Mulroney's Government has divested 12 so-called Crown Corporations or subsidiaries with assets exceeding C$9.3bn (US$7.5bn). Yet it has a problem.

Simply stated, Mr Mulroney's privatisation concept has yet to fire the Canadian public's imagination in the way that Mrs Margaret Thatcher's programme did in Britain – at least before the stock market crash. Apparently the prospect of owning a piece of Canada's commercial heritage leaves most Canadians blithely indifferent.

Indeed, the notion remains more a political hot potato than a proven vote-puller in Canada. This is despite the generally accepted need to prune the country's C$77bn federal public sector, despite the quiver of varied companies potentially on the block, including Air Canada, Petro-Canada and the world's largest uranium producer – and despite several me-too sell-off drives by provincial governments.

There are several reasons why *this is the case. First, only* two privatisations so far – the respective sales of part of Canada Development Corporation (CDC), a diversified holding company, and of Fishery Products International (FPI), an east coast seafood concern – have involved public share distributions. Neither produced the quick windfall profits for early investors which became an accepted feature of privatisation in Britain.

Mrs Barbara McDougall, until recently Privatisation Minister, *ascribes the dearth of public* share issues to the lack of "stand alone" companies in the Government's portfolio. "We would always start by saying 'can we make this a public share issue?'," she says. "Unfortunately, mostly the answer has been no. We don't have any nice utilities, like telephone companies or gas companies," she adds. "I would not sell Air Canada or Petro-Canada at all if I could not do a broad share distribution."

The Government announced *earlier this year that a third company*, Eldorado Nuclear, is to be disposed of via public share issues, over a seven-year period, following merger with the Saskatchewan Mining & Development Corporation.

The second reason for the suspicion with which the average Canadian regards privatisation is linked to the enduring perception of the Crown Corporation as a vehicle for nation-building in what is still a vast, inhospitable and sparsely-populated country.

Rightly or wrongly, the connection between the public sector and huge, inefficient, bureaucratic organisations is not made quite so readily in Canada as it can be in Britain and elsewhere.

The contention of Mr Mulroney's Government is that such concerns are anachronistic. "We have a better competitive situation in a lot of these industries now," says Mrs McDougall. "Regulation is therefore a better tool than ownership."

But many Canadians, like Mr Brian Tobin, a Liberal critic of privatisation, are not so sure. Mr Tobin feels that a mixed economy is still "desirable" in certain sectors "to ensure at least minimal standards of service across the country."

The initial reaction to the sale of De Havilland, the Ontario-based aircraft manufacturer, to Boeing in *early 1986 illustrates* a third factor working against the Government in its efforts to curry favour for its privatisation policy – the average Canadian's delicate feelings towards the threat of domination by the US.

The De Havilland sale was portrayed by some nationalists as little short of a calamitous betrayal of Canadian sovereignty to the Great Satan south of the 49th Parallel.

While few Canadians would go that far, such sentiments have *enough popularity to warrant* serious attention from the Government as it plans for each contemplated sale. Mrs McDougall goes so far as to refer to concern over foreign ownership in Canada as the fundamental issue. "People generally support privatisation if there are economic benefits and no loss to nationhood or sovereignty," she says.

Certainly, this does much to explain some of the ownership *restrictions attached to the* Eldorado sale. Non-Canadian investors will be limited to a maximum of 5 per cent of the voting shares in the new company and to 20 per cent of the votes cast at shareholder meetings.

Finally, the Government is unable even to depict privatisation as a particularly potent tool for reducing the uncomfortably large federal budget deficit. This is because Canadian public sector assets, unlike their UK equivalents, are endowed with a given *book value. In Petro-Canada's* case this is C$4.3 bn; Air Canada clocks in at C$525m.

This figure must be deducted from the proceeds of a sale before any reduction in the deficit can result. If Ottawa fails to collect at least book value when selling public-sector assets, it effectively takes a loss.

This explains why Mrs McDougall can maintain with some conviction that the Government's privatisation programme "is not a deficit reduction exercise." In *all, the Government estimates, it* has netted less than C$1.7bn from sales so far, after book value has been taken into account.

Before the Eldorado announcement, the public's lack of enthusiasm for privatisation seemed to have spilled over into the Government's own ranks. The pace of divestments had slowed markedly. There have been suggestions that the programme might temporarily have fallen victim to general election considerations (a vote is due by September 1989 but *is expected sooner) and* the October stock market collapse.

Mrs McDougall, however, maintains that officials have been working steadily behind the scenes, and that decisions are "very close" on two more companies – both Atomic Energy of Canada subsidiaries. "If all are positive," she says, "they could be very close together and that's a year's work."

Despite being the two choicest remaining jewels in the Government's crown, Air Canada and Petro-Canada, *remain conspicuously* absent from Mrs McDougall's list. While the successful shepherding to market of three more sizeable companies would give the privatisation policy a considerable shot in the arm, it is on the basis of its handling of these two highly visible symbols of Canadian enterprise that the Government's programme will ultimately be judged.

Montedison to take control of broker

By Alan Friedman in Milan

MONTEDISON, the Milan-based chemicals group which is 42 per cent owned by the Ferruzzi agri-industrial concern, is planning to take control of Nikols, Italy's leading insurance broker.

Iniziativa Meta, Montedison's financial services and retailing subsidiary, is expected to pay about L30bn ($24m) to buy a 40 per cent stake in Nikols held by Gemina, the investment company *indirectly controlled* by Fiat. The purchase will boost Meta's control of Nikols to 80 per cent. A further 20 per cent is owned by Mr Massimo Pavan, Nikols' chairman.

The acquisition of control of Nikols, which this year expects L30bn of commissions, fits into Meta's strategy of reinforcing its insurance and financial services. Nikols employs a staff of 170 in Italy and last year earned a net profit of L4.8bn. At the operating level Nikols earned L11bn.

Meta also owns a 49.95 per cent stake in La Fondiaria, the Florence insurer, and 70 per cent of Standa, the department store chain. After a forthcoming share deal, control of Meta will be transferred from Montedison to a new and as-yet unquoted Ferruzzi group holding company.

The agreement to buy Nikols from Gemina follows last week's sale by Meta to Gemina of an office block in central Milan for about L110bn.

Baltica lifts profits 26%

Baltica, Denmark's biggest insurance group, increased net profits by 26 per cent to DKr334m ($52.1m) last year, writes Hilary Barnes in Copenhagen.

Premium income was DKr5.1bn. The result was described as satisfactory by Mr *Peter Christoffersen, group chief* executive, who said Baltica is in good shape to meet increased competition when the European market in financial services in liberalised.

The insurance company will pay an unchanged 12 per cent dividend, while the group holding company will increase the dividend from 6 per cent to 7 per cent.

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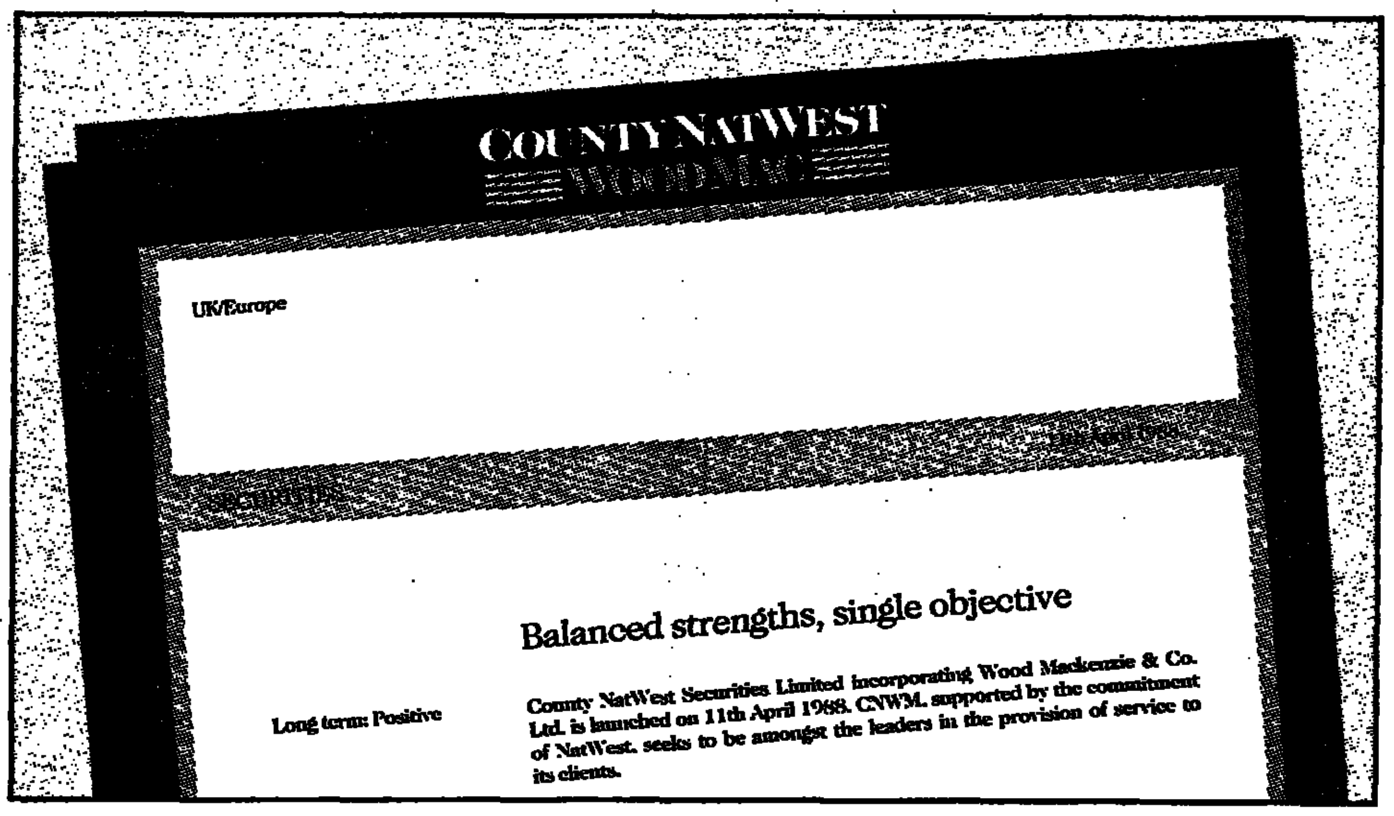

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The NatWest Investment Bank Group

Nick Bunker on the development of an old-time composite insurer

The strength of the Sun poses a problem

THERE IS a special atmosphere of understated wealth, power and history that pervades Sun Alliance and London Insurance.

It descends upon visitors when they enter its inner sanctum in the City, and see on the walls the serried ranks of fire-marks from the old companies which make up the group: the Sun, the Alliance, the Phoenix and the London Assurance.

Nestling in Bartholomew Lane between the Bank of England and the Stock Exchange, Sun Alliance is the world's oldest active insurance company, dating back to 1710.

It produced last week some of the best results in its history. In spite of paying claims totalling about £128m from the October hurricane – the UK's worst-ever insured loss – its pre-tax profits slipped only five per cent to £171.5m. Stockbrokers' analysts are forecasting around £320m-£350m for 1988.

Yet like the other composites, such as Royal Insurance, General Accident and Commercial Union, it is standing at a crossroads. Financially, they are for the most part stronger now than they have been at any time since the early 1970s.

The problem they face is to deploy this capital efficiently, without simply dashing for market share, at a time when in both their non-life insurance and life assurance operations they face the prospect of intensifying competition from banks and building societies.

For Sun Alliance, the problem is especially pertinent because of the way a powerful investment performance has combined with positive cash flow from operations to swell its shareholders' funds.

Under Mr Geoffrey Bowler, an investment man who retired as chief general manager last year, Sun Alliance joined General Accident as the most ardent devotee of the cult of the equity among the composites. The result in the early 1980s was that Sun Alliance ventured heavily into the equity market at the start of the long bull run.

Between 1980 and 1981 for instance, the portfolio of ordinary shares in its non-life funds more than doubled from £214.1m to £458.1m. The result of investment policies like these has been that by the end of 1987 – after the crash – Sun Alliance had a solvency margin (shareholders' funds as a percentage of premium income) of 85 per cent. That margin is now rapidly climbing back towards the 127 per cent ratio which it had in 1983, before it bought Phoenix Assurance for £398m cash in 1984.

How is Sun Alliance going to deploy its wealth over the next five years? Defining its current attitudes can be difficult. Top management maintain a low public profile, in spite of their recent success. "It's a very tough company to penetrate, though I tend to feel very happy with what they're doing", says Mr Ian MacNeil, an insurance analyst with Warburg Securities. And Sun Alliance is reluctant to discuss its grand strategy in any detail. "It's something I tend to be pretty cagey about, to be quite honest", says Mr Roger Neville, Mr Bowler's successor.

Aftermath, in Crayford,Kent, of last October's hurricane

There has, in fact, been a degree of historical accident in Sun Alliance's development which suggests in some eyes that it does not think in grand strategic terms. "You could argue that it has been a lucky company", says Mr Chris Pountain, insurance analyst with Wood Mackenzie, the stockbroker.

The classic example is its involvement in the US. Though it accounted last year for only 10.9 per cent of the group's total non-life premiums of £1.99bn, the group's US business earned it an underwriting profit of £14.3m, even before investment income.

The secret is a unique relationship with Chubb Corporation, a New Jersey-based property/casualty insurer. In 1882, Chubb began managing a pool of business for the old Sun Fire Office. In 1987, Sun Alliance still had a 14.3 per cent share of all the property/casualty business Chubb underwrites in the US.

Sun Alliance has been fortunate here. Since the mid-1970s Chubb has turned itself into one of the most profitable insurers in the US, via a deliberate strategy of differentiating its products from those of its rivals by focussing on special groups of customers, such as financial institutions or affluent homeowners. As a result, Chubb is partially insulated from the worst effects of the price wars which periodically decimate US insurers and damaged Commercial Union severely in the early to mid 1980s.

But the element of luck should not be overstated. Sun Alliance demonstrates an unmistakably iron will to maintain and build upon the status it has enjoyed since the 18th century when, according to one historian, Britain's fire insurance market was dominated by the "the single enormous power of the Sun".

Its market share is obviously much less now: but it has retained some huge strengths. For example, it remains the biggest property insurer in the UK, a type of business which accounted for about half the £1.23bn of non-life premiums it received in the UK last year. As a result, Sun Alliance has started to reap big benefits from the cyclical upswing in premium rates in UK non-life insurance that began in 1984 and is still under way.

In 1987, for instance, virtually unnoticed by the City, it completed a radical reorganisation of its UK non-life operations, concentrating them into 10 broadly-autonomous regional centres, with a range of small satellite sales outlets, with the aim of speeding up decision-making, and improving service and focussing marketing efforts. The group's executives are adamant that without the new structure they would have been overwhelmed by the workload arising from the hurricane.

It has also spent heavily on centralising its main computer service at Lennox Wood, Sussex, a huge information technology complex employing 600 people. Like the other composites it has been attempting to secure distribution channels for its life operations after the advent of the Financial Services Act by signing up small-to-medium sized building societies and other intermediaries as its own exclusive agents.

Historically, there have been two big slabs of bedrock beneath Sun Alliance's UK non-life business. One is its much-envied collection of long-standing commercial property accounts. The most famous of these is its legendary role as an insurer for the Duke of Westminster's holdings of property,especially in London's West End.

The second is its close ties to building societies, via the huge "block policies" covering household structure insurance for mortgage borrowers. Sun Alliance has the biggest share of this market (closely followed by Royal Insurance), insuring for instance about half the Halifax Building Society's 1.5m home loan customers and, according to observers in the industry, about 27 per cent of the Abbey National's. The *quid pro quo* is the high commission rate – about 30 per cent – which building societies receive.

Sun Alliance is visibly very active in maintaining the connection. In Halifax, for instance, there is a Sun Alliance branch with 60-70 staff devoted purely to servicing the Halifax block policy.

The third strength emerged from the Phoenix acquisition, when Sun Alliance pushed itself to the top of the league of British motor insurers by acquiring Bradford/Pennine, the Phoenix's big private motor subsidiary.

Bradford/Pennine, too, benefits by handling large blocks of business with big intermediaries: it has especially strong connections with Manchester-based Swinton Insurance, the biggest motor insurance broker after the Automobile Association.

COMPANY NEWS IN BRIEF

KALON GROUP has conditionally agreed to dispose of its Beechwood brushes business to Crispaction, in which director Mr Oded Brosh has a shareholding. Consideration to be based on Beechwood's net asset value, expected to amount to some £2.1m. Of this sum £560,000 will be left outstanding by way of secured interest bearing loan to Crispaction for up to three years.

KLEINWORT BENSON Sterling Asset Fund: net asset value £23.08½ (£21.66) at end-March 1988. Net revenue for year £3,281 (£2,530). Dividend 5.65p (5.84p).

MAPPIN and WEBB is proposing to redeem all of its 4.2 per cent (formerly 6 per cent) cumulative preference and all of the 3.85 per cent (formerly 5½ per cent) cumulative second preference. Directors to seek approval of stockholders for redemption in cash at par (£1) per unit. Accrued dividends up to date of redemption will be paid.

PLAXTON has acquired ISIS Motor Group, comprising three Ford dealerships with a turnover approaching £30m, for some £2.5m cash.

REED INTERNATIONAL has acquired, via its Octopus publishing group, George Philip Holdings. Acquisition includes publishing businesses of George Philip and Son and Osprey, map production capabilities of George Philip Cartographic Services and book distribution business of George Philip Services. These companies generated turnover of around £8.5m for year to end-March 1987.

SMALLBONE has received acceptances in respect of its rights issue of 3.1m 7.25% convertible redeemable participating preference 2002 for 2.45m shares (79.1 per cent).

UNITED BISCUITS (Holdings) proposed acquisition of Ross Young's Holdings will not be referred to the Monopolies Commission.

FIRST PACIFIC F.P. SPECIAL ASSETS LIMITED

SUMMARY OF ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 1987

Financial Highlights

- Consolidated earnings after taxation and extraordinary item increased by 581 percent to US$5,473,000 compared with US$804,000 for 1986.
- Total assets increased by 27 percent to US$40,411,000 compared with US$31,820,000 as at 31st December, 1986.
- Net assets increased by 129 percent to US$26,700,000 compared with US$11,660,000 as at 31st December, 1986 (including unrealised gains on listed shares and properties.)
- Net asset value per share (undiluted) increased by 105 percent to US49.09 cents compared with US23.98 cents as at 31st December, 1986.
- Earnings per share (after extraordinary item and fully diluted) increased by 349 percent to US6.83 cents compared with US1.52 cents for 1986.
- Earnings per share (before extraordinary item and fully diluted) increased by 43 percent to US2.17 cents compared with US1.52 cents for 1986.
- Special interim dividend in lieu of final declared of US1.03 cents per fully paid share in scrip with cash election, an increase of 302 percent compared with US0.2564 cent interim dividend in lieu of final for 1986.

Summarised financial data

	Year ended 31st Dec. 1987 US$'000	Year ended 31st Dec. 1986 US$'000	Percentage increase
Total income	6,711	2,665	152%
Total expense	(4,906)	(1,679)	192%
Profit after taxation and before extraordinary item	1,547	804	92%
Profit after taxation and extraordinary item attributable to shareholders	5,473	804	581%
Per Share Data	US Cents	US Cents	
Net asset value			
– Fully paid and partly paid shares	49.09	23.98	105%
– Adjusted for warrants	36.17	19.58	85%
Earnings before extraordinary item			
– Fully paid and partly paid shares	2.92	2.06	42%
– Fully diluted (adjusted for warrants)	2.17	1.52	43%
Earnings after extraordinary item			
– Fully paid and partly paid shares	10.34	2.06	402%
– Fully diluted (adjusted for warrants)	6.83	1.52	349%

F.P. Special Assets Limited is a public listed Hong Kong company associated with the First Pacific Group and specialises in acquiring undervalued asset and special situations in Asia-Pacific properties and companies and then taking steps to create value for our shareholders. F.P. Special Assets Limited has to date completed corporate and property deals in respect of assets located in Hong Kong, China, Japan, Indonesia, Taiwan and the Philippines.

For more information please contact Miss Mee-Wah Tan, Assistant Vice President, Marketing and Investor Relations, F.P. Special Assets Limited, 24th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong. Phone (852) 5-842-4213, Telex 74216 FPFHK, Fax (852) 5-299-300.

Name: ______

Address: ______

Company & Position: ______

FINANCIAL TIMES STOCK INDICES

	Apr. 8	Apr. 7	Apr. 6	Apr. 5	Mar. 31	Mar. 30	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	91.01	90.80	90.93	91.03	91.03	90.72	93.32	83.73	127.4	49.18
Fixed Interest	97.50	97.43	97.49	97.56	97.50	97.73	99.12	90.23	105.4	50.53
Ordinary	1413.4	1399.4	1386.8	1382.9	1386.7	1398.1	1926.2	1232.0	1926.2	49.4
Gold Mines	221.4	221.6	228.0	233.1	237.3	237.2	497.5	221.4	734.7	43.5
FT-Act All Share	913.14	904.61	896.64	893.16	896.75	904.13	1238.57	784.81	1238.57	61.92
FT-SE 100	1779.7	1761.0	1745.0	1737.6	1742.5	1756.9	2443.4	1565.2	2443.4	986.9

Trafalgar and Bouygues stake in Surrey Water

BY ANDREW HILL

Trafalgar House, shipping, property and construction group, and Bouygues, French contractor, have confirmed that they hold 15.29 per cent of North Surrey Water, a statutory company, with a nominal value of £293,343.

The stake was acquired over the last nine months through the companies' jointly-owned subsidiary Cementation SAUR Water Services.

Last September, Compagnie Generale des Eaux, France's largest water supply company, announced that it held an 18.9 per cent stake in North Surrey which, unlike some of the UK's 28 statutory water companies, does not restrict shareholders' voting rights.

Cementation SAUR also holds 26.18 per cent of Rickmansworth Water and 22.02 per cent of Colne Valley Water. The company will neither confirm nor deny that it owns 10 per cent of Lee Valley Water.

The subsidiary was set up in August 1986 to increase the parent groups' experience of operating water supply companies, ahead of Government plans to privatise the UK's 10 water authorities.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition:

AMI Healthcare (Section:Industrials)

Archer (A.J.) (Trusts,Finance Land)

London Forfaiting (Trusts,Finance Land)

National Home Loans 7½% Conv. Pref. (Trusts,Finance Land)

Nationwide Bldg. Soc. 9$\frac{11}{16}$% 20.2.89 (Loans, Building Societies)

Norfolk House (Industrials)

Sandpiper Oil & Gas (Oil & Gas)T.I.P. Europe (Industrials)

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Highland Distilleries, Ossory Estates, Wardle Storeys.

Finals- Accord Publications, British Island Airways, Cannon Street Investments, Comac, Dewhurst (I.J.), Executex Clothes, Fortnum and Mason, Folkes, Hewden Stuart Plant, Isa Intl, North British Canadian Investment, Scottish TV, Sharp and Law, Theme Holdings, Wace.

FUTURE DATES

Interims-

China & Eastern Inv Co	Apr 18
Fleming Japanese Inv Tst	Apr 14
GR Holdings	Apr 12
New Central Witwatersrand	Apr 13
Orange Free State Invs	Apr 21
Welkom Gold	Apr 21

Finals-

Ashley (Laura)	Apr 19
Billam (J.)	Apr 14
British Dredging	Apr 14
Cluff Oil	Apr 22
Costain	Apr 20
Dinkie Heel	Apr 15
East Rand Gold	Apr 21
Epicure	Apr 21
Elam	Apr 21
Explaura	Apr 18
Gee (Cecil)	Apr 27
Halina Investment	Apr 20
Jacques Vert	Apr 21
Kentish Property	Apr 20
Morgan Crucible	Apr 18
Olives Paper Mill	Apr 12
Windsmoor	Apr 28

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	* Date	Announcement last year		Date	Announcement last year
* Blue Circle	Apr 15	Final 17.0	Land Securities	May 13	Final 7.75
Brit & Comm	May 14	Final 3.55	* RMC	Apr 18	Final 12.5
* Brixton Est	Apr 21	Final 3.9	Sedgwick	May 14	Interim 5.4
Costain	Apr 29	Final 10.5	Sears	May 12	Final 3.0
Eng China	May 14	Interim 5.0	* Tarmac	Apr 25	Final 8.64
* Grand Met	May 11	Interim 4.5	Tate & Lyle	Apr 29	Interim 9.0
* Hammerson	Apr 19	Final 8.5	* Tesco	Apr 13	Final 4.75
* Hawker Sid	Apr 20	Final 12.0	Wellcome	Apr 26	Interim 0.81
Inchcape	Apr 27	Final 13.85			

US$100,000,000

Republic of Portugal

Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 11th April 1988, to 11th October 1988, the Notes will carry an Interest Rate of 7½% per annum and the Coupon Amount per U.S.$10,000 will be U.S.$381.25.

Merrill Lynch International Bank Limited

Agent Bank

ESSEX

The Financial Times proposes to publish this survey on:

6th MAY

For a full editorial synopsis and advertisement details, please contact:

Brett Trafford
on 01 248 5116

or write to him at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES

CLAYFORM PROPERTIES

RESULTS FOR THE YEAR ENDED
31 DECEMBER 1987

	1987	1986
Profit before tax	£14.1m	£5.0m
Earnings per share	27.0p	14.4p
Dividends per share	8.5p	7.5p
Net Assets per share	229p	186p

Gearing less than 8%

Copies of the 1987 Report and Financial Statements can be obtained from

CLAYFORM PROPERTIES PLC
24 Bruton Street
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Allied Anthracite Limited

has acquired

Garwyn Thomas Limited

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and

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provided by

Saudi International Bank
AL-BANK AL-SAUDI AL-ALAMI LIMITED

The management of Allied Anthracite Limited was advised by

FOSTER CHURCH & COMPANY LIMITED

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
132	F.P.	-	150	136	Assoc. Nursing Servs 10p	136	-5	b2.0	3.6	2.0	18.2
95	F.P.	-	98	95	B.W.D. Securities	98		a3.75	3.3	5.1	7.9
†	F.P.	-	166	150	Berry Starquest	165	+2	-	-	-	-
330	120	-	92	61	British Petroleum	72½	+1½	N12.5	1.5	5.9	14.1
†	F.P.	-	405	225	CWR Group 20p	345		-	-	-	13.6
§140	F.P.	-	157	135	Gardner DC 5p	153		L3.0	2.9	2.6	17.5
§30	F.P.	30/3	48	38½	Gardner Group 5p	46	-2	b0.75	3.9	2.2	15.6
140	F.P.	-	148	143	Holders Technology 10p	143		b6.0	2.0	5.6	11.8
§64	F.P.	20/4	80	64	Hughes (H.T.) 10p	78		b2.25	2.1	3.8	14.4
†	F.P.	-	791	390	Lawson Mardon "A"	614	-1	Q20c	3.3	1.8	10.5
73	F.P.	22/4	81	74	MTL Instruments Grp 10p	75		u2.0	3.3	3.6	11.4
-	F.P.	-	57	40	Marievale "5"	57		-	-	-	-
-	F.P.	-	7½	5	Oceanics Group Wrrnts	7½	+½	-	-	-	-
50	F.P.	-	50	50	*Pennine Optical 2½p	50		-	-	-	13.5
97	F.P.	7/4	126	100	Psion 5p	116	-1	a1.75	4.3	2.0	15.5
14	F.P.	25/4	17½	15	Resort Hotels 10p	17½	+1	R0.42	2.5	3.2	14.3
20	F.P.	-	21	19	Rly & Merc Am Cap Tst 10p	20		-	-	-	-
100	F.P.	-	102	100	Do Inc. Tst	102		b6.2	-	8.1	-
20	F.P.	-	10	7½	Do Wrrnts Tst 10p	8		-	-	-	-
†	F.P.	-	89	70	Selective Assts Tst 10p	71	-2	-	-	-	-
§85	F.P.	-	86	83	Total Systems 5p	86		R2.5	2.1	3.9	16.0
§50	F.P.	13/4	63	58	Transrap Hldgs 10p	60		b2.0	2.0	4.4	15.4
23	F.P.	-	25	16	Tullow Oil 10p	16		-	-	-	-
135	F.P.	22/4	151	136	U.K. Paper 10p	141	-1	R5.0	2.8	4.7	8.4
§160	F.P.	-	196	168	Vosper Thornycroft Hldgs	173	+3	R7.5	2.4	5.8	9.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
100	F.P.	-	117	109	Argyle Trust 11pc Cnv.Sub.Uns.Ln 1992	117	
100	F.P.	-	110	102	B.M. Group 4 6pc Net Cv Cm Rd Pf 20p	103	
100	F.P.	-	117p	100p	BTP 7.5p (net) Cnv.Cm.Red Prf.	116	
100	F.P.	-	69	69	Ivory International 5¼pc Cv Cm Rd Pf	70	
100	£25	-	25½	24¼	London Merc. Secs. 10% 1st Mort. 2018	25½	-¼
100	F.P.	-	112p	100p	Low (Wm.) 6.75pc Cm Cv Red Prf £1	108p	
-	F.P.	-	100¼	100	N'wide Anglia 9⅛ Bd Red 13.3.89	100¼	
†	F.P.	-	91p	86p	Select Assts Tst Uts Equ Ind Ln'13	87p	
100	F.P.	29/4	105p	100p	Smallbone 7.25p Con.Red.Ptg.Prf. £1	100p	-2

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
160	Nil	5/5	18pm	3pm	Bairo Industries	3pm	
110	Nil	13/4	35pm	16pm	Colless Hldgs 10p	35pm	
210	Nil	18/4	23pm	20pm	F.B.K. Group 5p	21pm	
55	Nil	-	55pm	50pm	Kleen-E-Ze Hldgs	50pm	
165	Nil	-	42pm	36pm	Leigh Interest	42pm	+3
65	Nil	9/5	9pm	4pm	Leisure Investments 10p	5½pm	+½
236	Nil	-	52pm	52pm	Logica 10p	52pm	
140	Nil	-	27pm	26pm	Persimmon	27pm	

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". ⁑ Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ♦ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

'Old Soldiers Never Die...'

but as they 'fade away' they so often need our help

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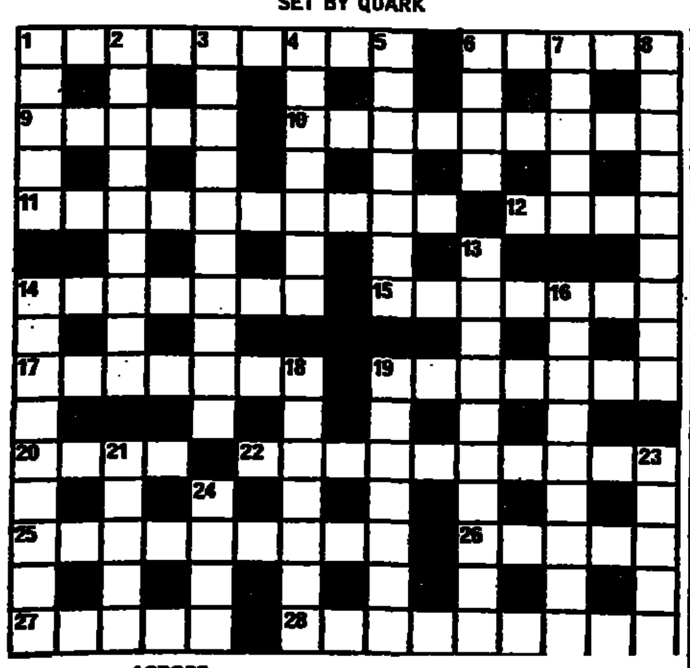
SET BY QUARK



ACROSS

1 Reporters persuading one to serve? (5,4)
6 Furs initially to possess with pride (5)
9 Superior meal when "first" is taken (5)
10 Stage a significant event (9)
11 Mere ten-pin bowling is better than the rest (3-7)
12 A sunken fence gets amused reaction (2-2)
14 Disappear into it on mountain top, perhaps (4,3)
15 At which point one stops being taxed (4-3)
17 Crash thro' tee to it (7)
19 Additives to food providing difficult situations (7)
20 Border music-maker does a turn (4)
22 Bears up to work cessation (10)
25 You can take it as a criticism (9)
26 Go to Gretna to be cut off in Jock's eye? (5)
27 Special occasion to stop without public relations (5)
28 Supportive cover, i.e. help shared out with EEC (9)

DOWN

1 Vote decisively for student in quiz (5)
2 Unnecessary outburst (9)
3 One often well down in the pack (10)
4 Lam wildly with heavy blow to get one in hospital (7)
5 Plant growth – *start of* growth with everything to fruit finally (7)
6 Stud supervisor (4)
7 Barman with no tips (takes in nothing); there's an atmosphere! (5)
8 Esau and Ruth somehow seen at first in setter's "bible" (9)
13 Let-down in the field? (5,5)
14 A get-together in Paris? (4-1-4)
16 Get aggressive, i.e. sell book company abroad (9)
18 Drunken sot with plenty of cash, one who doesn't face reality (7)
19 Regret one's in the money (7)
21 Pop sometimes at his place? (5)
23 City subject (5)
24 Notice the spinners coming up (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 23.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assoc.	383.2	403.5	—	—
Eb'r Ph Eq.	341.0	362.5	—	—
Pension Plan Funds				
Phoenix				
UK Equity Acc.	163.3	171.8	-0.1	—
International Acc.	126.7	133.3	+0.1	—
Property Acc.	127.7	134.4	—	—
Fixed Interest Acc.	157.1	165.3	+0.3	—
Money Acc.	138.1	145.3	+0.1	—
Bldg. Soc. Link Acc.	135.1	142.2	+0.1	—
Special Mngd. Acc.	146.2	153.8	—	—
Phoenix/Framlington				
Intnl. Growth Acc.	87.1	91.6	+1.4	—
Amer. & Gen. Acc.	81.8	86.1	+1.3	—
Capital Tst. Acc.	166.7	175.4	+0.7	—
Japan & Gen Acc.	184.9	194.6	+3.3	—
American Turn. Acc.	84.2	88.6	+1.7	—
Recovery Tst. Acc.	166.2	174.9	+2.5	—
Special Mngd Acc.	140.9	148.3	+1.3	—
Phoenix/AIT				
International Acc.	119.8	126.1	+1.2	—
US & General Acc.	87.1	91.6	+2.2	—
Amer Spec Sits Acc.	64.2	67.5	+1.0	—
Japan & General Acc.	182.4	192.0	+1.2	—
Far East & Gen. Acc.	142.5	150.0	+2.4	—
UK Capital Acc.	167.0	175.7	+1.2	—
European Acc.	128.6	135.3	+0.3	—
Special Mngd. Acc.	123.3	129.7	+1.2	—

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	256.5	270.1	—	—
Man Pens Inc & Cap Fds	324.0	341.1	—	—
Money Fund	111.9	117.8	—	—
Pens Mngd Fd (Inic)	80.0	84.3	—	—
Pens Mngd Fd (Acc)	90.5	95.3	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due

"Shorts" (Lives up to Five Years)

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
1,450	Exch 10¼pc '88	[illegible]	7.80	5.4	[illegible]
1,148	Treas 9¼pc Cv '88	100 [illegible]	8.15	9.11	14Dec 14Jun
1,302	Transport 3pc '78-88	99 [illegible]	[illegible]	25.11	1Jan 1Jul
2,050	Treas. 9½pc '88	[illegible]	8.36	21.3	25Apr 25Oct
2,250	Treas 11½pc 1989	102 [illegible]	8.39	18.1	27Aug 22Feb
855	Treas 9½pc Cnv 1989	[illegible]	8.43	11.9	18Oct 18Apr
500	Treas 3pc 1989	[illegible]	6.43	8.4	15Mar 15May
1,400	Treas 10½pc 1989	102 [illegible]	8.56	9.11	14Dec 14Jun
2,400	Exch.10pc 1989	102 [illegible]	8.55	29.12	1Feb 1Aug
2,000	Exch 11pc 1989	103 [illegible]	8.54	24.2	29Mar 29Sep
601	Treas 5pc 1986-89	96 [illegible]	7.38	9.3	15Apr 15Oct
535	Exch 10¼pc Cv '89	104 [illegible]	7.33	8.4	15May 15Nov
1,000	Treas 13pc 1990	107 [illegible]	8.45	9.12	15Jul 15Jan
1,400	Exch 11pc 1990	104 [illegible]	8.52	6.1	12Aug 12Feb
1,250	Exch. 12½pc 1990	106 [illegible]	8.51	17.8	22Sep 22Mar
550	Treas. 3pc 1990	93 [illegible]	6.64	5.4	8Nov 8May
600	Treas 8¼pc 1987-90	99 [illegible]	8.59	9.11	15Dec 15Jun
1,000	Treas. 8pc Cv 1990	101 [illegible]	7.20	–	16Jul 16Jan
1,887	Treas. 10pc Cv 1990	103 [illegible]	8.57	21.3	25Apr 25Oct
500	Exch 2½pc 1990	91 [illegible]	6.39	16.10	22May 22Nov
2,200	Treas 11¾pc 1991	107 [illegible]	8.62	4.12	10Jul 10Jan
400	Funding 5¾pc '87-91	94 [illegible]	7.75	1.9	5Oct 5Apr
400	Treas. 3pc 1991	89 [illegible]	6.76	6.4	13Nov 13May
646	Treas 10pc Cv '91	105 [illegible]	8.21	7.12	12Jan 12Jul
1,450	Exch. 11pc 1991	107 [illegible]	8.63	21.3	25Apr 25Oct
1,350	Treas. 8pc 1991	[illegible]	8.61	3.11	10Jun 10Dec
900	Treas 12¾pc 1992	112 [illegible]	8.67	19.1	22Jul 22Jan
1,600	Treas 10pc 1992	104 [illegible]	8.68	15.1	21Aug 21Feb
1,400	Treas. 8pc 1992	97 [illegible]	8.62	11.6	13Oct 13Apr
1,288	Treas 10½pc Cv 1992	105 [illegible]	8.73	1.9	7Nov 7May
500	Treas. 3pc 1992	85 [illegible]	7.01	4.11	11Dec 11Jun
1,350	Exch. 12¼pc '92	112 [illegible]	8.82	19.1	25Feb 25Aug
1,757	Exch 13½pc 1992	116 [illegible]	8.83	17.8	22Mar 22Sep

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
369	Conv 9pc Ln 2011	100¾	8.90	7.12	12Jan 12Jul
1,000	Treas. 5½pc 2008-12	67¾	8.70	2.2	10Mar 10Sep
700	Treas. 7¾pc 2012-15	88 [illegible]	8.85	21.12	26Jul 26Jan
1,000	Exch. 12pc '13-'17	129 [illegible]	9.00	5.11	12Jun 12Dec

Undated

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
359	Consols 4pc	44½	–	29.12	1Feb 1Aug
1,909	War Loan 3½pc	39¾	–	26.10	1Jun 1Dec
154	Conv 3½pc '61 Aft.	51¾	–	24.2	1Apr 1Oct
56	Treas. 3pc '66 Aft.	33 [illegible]	–	1.3	5Apr 5Oct
276	Consols 2½pc	28 [illegible]	–	1.3	5Ja Ap Jul O
475	Treas. 2½pc	28 [illegible]	–	24.2	1Apr 1Oct

Index-Linked

Amount Listed £m	Stock	Price £	Red. Yld.	Last xd	Interest Due
500	Treas 2pc IL '90 (333.9)	120¾	1.62	21.12	25Jul 25Jan
650	Do. 2pc '92 (385.8)	101¾	2.40	17.8	23Sep 23Mar
1,000	Do. 2pc '96 (267.9)	136¾	3.13	8.2	16Mar 16Sep
900	Do 2½pc '01 (308.8)	112 [illegible]	3.69	18.8	24Mar 24Sep
800	Do. 2½pc '03 (310.7)	109¾	3.75	14.10	20Mar 20May
1,100	Do. 2pc '06 (274.1)	111¾	3.80	14.12	19Jul 19Jan
950	Do. 2½pc '09 (310.7)	104 [illegible]	3.79	14.10	20Mar 20May
1,250	Do. 2½pc '11 (294.1)	108 [illegible]	3.80	18.1	23Feb 23Aug
1,100	Do. 2½pc '13 (351.9)	98 [illegible]	3.75	11.1	16Feb 16Aug
1,600	Do. 2½pc '16 (322.0)	97 [illegible]	3.72	21.12	26Jul 26Jan
1,300	Do. 2½pc '20 (327.3)	95 [illegible]	3.65	10.3	16Oct 16Apr
800	Do. 2½pc '24 (385.3)	80 [illegible]	3.60	15.02	17Jul 17Jan

** Prospective real redemption rate on projected inflation of 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1987: 101.8 and for February 1988: 103.7 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid
485.4	Staley Continental	16¾	80c	2.6	–	–
3,444.2	Sun Co. Inc. $1	31⅝	$3.00	5.1	5.11	Mr Ju Se De
1,532.4	TRW Inc. 62½c	25¾	$1.60	3.4	11 8	Ma Ju Se De
3,516.8	Tenneco $5	23⅜	$3.04	7.0	11.8	Mr Jn Sp Dc
6,405.1	Texaco $6.25	26½	$3.00	6.2	31.7	Mr Je Se De
4,367.5	Tirae Inc. $1	45⅛	$1.00	1.2	24 01	Mr Ju Se De
1,318.3	Transamerica $1	17⅛	$1.84	5.8	31.3	Ja Ap Ju Oc
478.8	Transworld Corp $5.	925p	20c	1.2	11.11	Fe My Au No
598.0	TRINOVA Corp.	17½	56c	1.8	9 11	Mc Je Se De
4,259.3	USX $1	16¾	$1.20	4.0	30.10	Mr Je Se De
2,828.2	Utd Technologies	21⅜	$1.40	3.6	19.5	Mr Jn Sp Dc
5,710.6	US West	28½	$3.52	6.8	13.4	Fb My Ag No
4,172.6	Waste Management $1	18½	36c	1.1	21.3	Ap Jly Oc Jan
1,003.9	Whirlpool $1	14½	–	–	25.01	Mr Jn Se De
1,945.7	Woolworth $3½	29⅝	$1.32	2.4	19.11	Mr Je Se De

CANADIANS

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid
–	ABM Gold Corp	203p	–	–	–	–
–	Abbot Energy Corp	25¼p	–	–	–	–
633.6	Amer. Barrick Res.	11	–	–	–	–
–	American Lightwave	9p	–	–	–	–
–	Armeco	24p	–	–	–	–
–	Augmitto Expln.	51p	–	–	–	–
1,195.6	Bk. Montreal	11½	$2.00	7.7	9 11	Fb My Ag Nv
894.0	Bk. Nova Scot.	539p	72c	5.9	28.3	Ja Ap Ju Oc
4,491.9	BCE	16¾	$2.44	6.5	10 02	Ap Jy Oc Ja
251.8	Bow Valley	680p	40c	2.9	15 12	May Nov.
789.2	Brascan	11⅝	88c	3.3	28.10	Ja Ap Jy Oc
51.6	Breakwater Res.	234p	10c	1.9	–	–
1,435.2	Can. Imp Bank	917p	$1.16	5.6	29 12	Fe My Au No
3,082.0	Can. Pacific	10¼	60c	2.6	28.3	July Jan
28.7	Do. 4pc Deb £100	40	4%	10.0	10.11	July Jan
–	Central Capital "A"	428p	–	–	–	–
54.5	Cons. TVX Min.	336p	–	–	–	–
–	Dankus Res.	169p	–	–	–	–
–	Derlan Inds	580p	11.75c	1.0	3.6	Mr Jn Se De
1,089.1	Echo Bay Mines	11½	20c	0.8	–	Ju.Sp.Dec.Mar
–	Energex Minerals	28p	–	–	–	–
–	Euro-Asia Capital Ltd.	92p	–	–	–	–
89.4	Galactic Resources	380p	–	–	–	–
13.4	Geodome Res.	101p	–	–	–	–
61.6	Granges Expln	283p	–	–	–	–
–	Gt Pacific Res.	13p	–	–	–	–
–	Gulf Canada	757p	52c	3.0	26.3	Ja Ap Jy Oc
76.5	Hawker Sid Can	939p	$1.08	5.1	15 11	Ap Jy Oc Ja
–	Henlys Group	385p	–	–	–	–
254.8	Hudson's Bay	853p	60c	3.1	2.10	Mr Jn Sp Dc
4,185.6	Imperial Oil	25¼	s$1.60	2.7	26 11	Mr Je Se De
1,436.7	Inco	13¼	US$0.40	1.6	23.01	Jan.Ag.J.O.
–	[illegible] Corona Res.	417p	–	–	–	–
–	Inland Nat. Gas $1	556p	60c	4.8	30.12	Fe My Au No
–	Lacana Mining Corp	561p	Q15c	1.2	–	–
12.8	Madeleine Mines	219p	–	–	–	–
–	Muscocho Expln.	150p	–	–	–	–
–	Mutual Business Syst.	144p	–	–	–	–
–	Nevada Goldfields	214p	–	–	–	–
405.9	Rio Algom	952p	$1.30	6.0	5.11	June Dec
1,458.9	Royal Bk. Can.	12¼	$2.08	7.5	29.10	Mr Je Se De
–	Royex Gold Mining	262p	–	–	–	–
2,673.9	Seagram	28	US$1.10	2.2	14.2	Se De Mr Ju
–	Sonora Gold Corp	267p	–	–	–	–
–	Spiral Eng.	47p	–	–	–	–
–	Tara Pure Tech. Corp	98p	–	–	–	–
1,842.4	Toronto-Dom. Bk.	12½	92c	3.2	22.12	F My Au No
–	Trans Atlantic Res	24p	–	–	–	–
751.4	Trans Can Pipe.	683p	68c	5.0	1.12	Ja Ap Jy Oc
311.3	Varity Corp	188p	8	–	11.77	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Contd

Market Cap. £m	Stock	Price £	Div Net	Y'ld Gr's	Last xd	Dividends Paid
896.0	Torchmark $1.00	£26	Q$1.00	3.4	26.03	[illegible]
83.2	Trade Indemnity	385	5.6	2.0	28.9	Nov. May
1,895.1	Travelers $1.25	£18¼	$2.40	6.8	28.7	Ma.Ju.Se.De
1,201.3	USF & G Corp $2.50	£25¾	Q$2.64	9.2	22.02	Ap.Au.Ja
369.4	USLIFE Corp. $1.0	£29½	Q$1.28	3.6	04.10	Dec. June
84.9	Wd Friendly £ 10p	345	21.0	5.1	12.10	June Nov
490.1	Willis Faber 12½p	208	11.40	7.6	28.9	May Nov
13.9	Windsor Secs. 10p	58	0.8	1.8	25.1	Mar. July

LEISURE

Market Cap. £m	Stock	Price £	Div Net	Y'ld Gr's	Last xd	Dividends Paid
5.49	A & M Group 10p	5	–	–	8'86	–
17.2	Airtours 20p	98	Ld5.4	7.4	26.1	January
67.4	Anglia TV	393	14.5	4.9	7.3	May-Aug.
29.2	Aussan 1p	98	0.5	0.7	13.7	Oct Apr
9.79	BCE Hldgs 5p	35	Ld1.0	3.8	8.2	Sept Apr
10.7	Barr & W.A.T. 'A'	215	8.0	5.0	29.9	July Nov
–	Bond Media	22	–	–	–	–
9.03	Boosey & Hawkes	230	–	–	4'84	–
3.34	Border T V	33	12.4	5.7	8.2	October
193.1	Brent Walker 10p	352	8.0	3.1	9.11	June Dec
139.6	Do 6pc Cv.Cm.Rd.Pf	106	6.0	7.9	–	Jan July
27.1	Campari Int. 20p	278	6.5	3.3	14.9	Mar. Nov.

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

Contracts & Tenders

DARTFORD
Borough Council
PARTNERSHIP DEVELOPMENTS

The Dartford Borough Council is considering redevelopment and/or reinstatement of its pre-cast reinforced concrete houses (AIREY and ORLIT) which are located on various urban and village sites within the Council's area. The total land holding is approximately 12 acres

This provides a challenging venture in urban renewal and to this end the Council invite those experienced in this type of work, either as consultants or developers, to express their interest in the project.

Applicants should indicate in broad terms other similar projects with which they have been involved and in particular their experience in working in partnership with local authorities and/or Housing Associations. Of those companies showing interest not more than six will be asked to make a more detailed submission covering both technical and financial aspects of the project.

Interest should be declared by writing to Alan Thrussell, Environmental Services Officer, The Civic Centre, Home Gardens, Dartford, Kent DA1 1DR - tel: (0322) 343352 - by 20 April 1988, marking the envelope "PRC Partnership" and providing the names of two referees able to vouch for the company's ability to undertake such a project.

GUYANA SUGAR CORPORATION LIMITED

Studies For The Improvement Of Sugar-Cane Bagasse Utilization In Generating Electricity

Issued By The Guyana Sugar Corporation Limited For A Project To Be Financed By The Inter-American Development Bank
Loan Contract No: ATCN/SF - 2974 - GY

Guyana Sugar Corporation Limited
Studies For The Improvement Of Sugar-Cane Bargasse Utilization In Generating Electricity

The Guyana Sugar Corporation Limited is inviting "Expressions Of Interest" from consulting firms able to carry out the necessary studies to assess the technical and economic viability for the improvement of sugar-cane bagasse utilization in generating electricity.

The proposed studies are funded with the assistance of technical co-operation from the Inter-American Development Bank (IDB - ATCN/SF - 2974 - GY). Consulting firms replying to this notice should be on the consultant's register of the IDB and from member countries of IDB.

The consulting firms shall provide the necessary personnel and resources to successfully complete the programme with the highest professional standards. It is estimated that the consulting firm shall assign at least seven (7) international experts for approximately thirty-eight (38) expert months to work on the programme.

The studies shall be performed in two (2) separate phases as follows:

Phase 1: Shall be carried out in a period of five (5) months (approximately 20 expert/months) and shall include the preparation of the pre-feasibility studies in six (6) preselected sugar mills. The sugar mills should be ranked in terms of their technical and economic merits after the execution of the studies and incorporated into a national co-generation plan.

Phase 11: Shall include the detailed feasibility study of two (2) of the six (6) sugar mills based on the results of phase 1. The implementation of phase 11 shall be carried out in a period of seven (7) months (approximately 18 expert/months). The feasibility shall contain a detailed assessment of the technical, economic, financial and institutional feasibility of the respective co-generation project.

Assessment shall also be made of the legal and commercial aspects as well as detailed cost estimates.

All necessary supporting documents for processing a loan application for project implementation shall also be supplied.

Expressions of interest of the part of qualified consulting firms shall be accompanied by pertinent information on the nationality of the firms, confirmation of registration with the IDB, general background of the firm, evidence of similar work done, manpower and financial resources of the firm and competence in English language.

Applications must be received not later than 2.00 p.m. on May 28th, 1988 by:

The Manager of Projects
Guyana Sugar Corporation Limited
22 Church Street
Georgetown
Guyana - South America

STRATHCLYDE REGIONAL COUNCIL
ROADS DEPARTMENT

GIRVAN HARBOUR DREDGING

It is proposed to invite tenders from experienced Contractors for the dredging of Girvan Harbour.

The works will consist of deepening the harbour and approach channel area to 2.8 metres below Chart Datum. This will entail the removal of some 20,000 cubic metres of marine deposits.

Contractors wishing to be considered for inclusion in the list of firms to be invited to tender for this contract should submit their names to the Director of Roads, Strathclyde House, 20 India Street, Glasgow G2 4PF not later than 25 April 1988.

Thereafter, invitation to tender will be extended to selected Contractors and the necessary drawings and documents issued stating the date when tenders should be returned. It is expected that tender Documents will be issued in May 1988 and that the contract period will be 12 weeks.

Tendering will be restricted to firms of proven capacity and experience who will be in a position to submit genuinely competitive tenders.

Contractors who, because of commitments of any other reason, do not apply to be considered will not in any way prejudice their eligibility for consideration in respect of future contracts.

W S McAlonan
Director of Roads

WANDSWORTH BOROUGH COUNCIL

Heating and hot water installations (phases 1 and 2) at Argyle Estate, London, SW19 Contractors wishing to be considered for selection to tender for the provision of new individual gas-fired heating and hot water installations to approximately 300 occupied dwellings at Argyle Estate, London, SW19 should submit names to the Chief Executive and Director of Administration, Room 111, The Town Hall, Wandsworth High Street, London SW18 2PU by 29th April 1988, quoting reference DH/15.

Applicants must provide the name of the company who would tender for the contract and provide the following information in respect of that company:-

(a) Details of labour force and technical and supervisory staff available;
(b) names and addresses of three technical referees and the name of the Company's banker;
(c) details of similar work undertaken during the last three years;
(d) copies of the last two years audited accounts;
(e) the company's policy statement in accordance with Section 2(3) of the Health and Safety at Work etc. Act 1974;

(N.B. Applicants should refer only to the above-mentioned scheme; they must not incorporate replies to other advertisements placed by Wandsworth Borough Council. Late applications will not be considered).

It is anticipated that tenders will be invited from selected contractors in June 1988 with an anticipated start on site later in the summer of 1988.

The surveying for the scheme will be provided by Harding McDermott and Partners, Skyline House, 200 Union Street, London, SE1 0LX under the direction of R.J. Sheppard, Director of Housing, Town Hall, Wandsworth High Street, London, SW18 2PU.

G.K. JONES
Chief Executive and
Director of Administration

Company Notices

THE HONGKONG AND SHANGHAI BANKING CORPORATION

Primary Capital Undated Floating Rate Notes

Notice is hereby given to the holders of these Notes that copies of the Annual Report and Accounts of the Bank for the year ended December 31, 1987 are available at the offices of the Bank at 99 Bishopsgate, London EC2.

April 11, 1988

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990 SERIES "B".

The interest rate applicable to the above Notes in respect of the three month period commencing 11th April 1988 has been fixed at 7⅜% per annum.
The interest amounting to US $18.64 per US $1,000 principal amount of the notes will be paid on Monday, 11th July 1988 against presentation of Coupon No. 31.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

LINREAD PUBLIC LIMITED COMPANY

Notice is hereby given that the share transfer books of the company will be closed from Thursday 21st April to Monday 25th April 1988. Both dates inclusive, for the preparation of dividend warrants.
BY ORDER OF THE BOARD - KJ MORRIS
Company Secretary.

Company Notices

CHEMICAL NEW YORK CORPORATION
US$250,000,000 Floating Rate Subordinated Capital Notes Due October 1997

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 11 April 1988 to 11 July 1988 the Notes carry an Interest rate of 7⅞ per cent per annum. The interest payable on the Relevant Interest Payment Date 11 July 1988 against coupon No. 11 will be US$995.42 per US$50,000 Note.

Agent Bank
Chemical Bank

Rentals

PRUDENTIAL
Property Services

Residential Lettings Residential Lettings Residential Lettings

London, EC4 £275pw
Super 12 bedroom flat in this excellent location for City and transport. Parking facilities and porterage. 6-36 months let. Prudential Property Services 01-538 4921

Chelsea Embankment, SW3 £125pw
Excellent value for this recently redecorated 1 bedroom flat on the Thames.
Prudential Property Services 01 589 5211

Battersea £85pw
Studio flat situated on 1st floor close to the common, transport and shopping facilities. Available now. Prudential Property Services 01 924 3344

Stamford Brook, W6 £200pw
Large flat in mansion block, 3 bedrooms, reception, kitchen/b'fast room, communal gardens. GCH. 5 minutes from tube. Co let

Prudential Property Services 01-357 6911 or Docklands Office: 01-538 4921

F. W. GAPP

We always require quality properties in central London for waiting applicants.
Management service also available.

The Property Managers
01-221 8838

Plaza Estates

LITTLE VENICE, W.9.
Charming, newly refurb gdn flat at very reasonable price. 2 Beds: Bath: Recep: F/F Kit: Patio Gdn. Long lets. £185.00 p.w.
Tel: 01 724 3100

RUTLAND GATE, S.W.7.
Super newly refurb 2nd floor flat. Dble Bed: Study/Bed 2: Bath: Cloak: Kit: Lift: Porterage. Long Lets. £375.00 p.w.
Tel: 01 581 7646

JEAN WILLIAMS LTD.

Wimbledon Park. 2 minutes tube, nicely furnished and decorated 3 bedroom house, all amenities. 2 reception rooms, kitchen/breakfast room. GCH. £1,000.00.pcm.
SW18. Beautifully presented spacious 5 bed Victorian house, 2 baths, 2 recep, kitchen/breakfast room, cellar. GCH. Alarm. £350.00. p.w.

01 949 2482.

HAMPSTEAD VILLAGE, NW3
Deceptively large totally newly refurbished first floor flat in lovely Victorian house. 4 bedrms, 2 bathrms, elegant reception, lge eat-in kitchen.
£350 pw TEL:01-722-7101

NOTTING HILL GATE W11
Newly decorated contemporarily furnished and refurbished spacious flat in period conversion, 2 receps. 2 dble bedrms, 2 bthrms.
£325 pw TEL:01-727-7227

MAYFAIR W1
The chance of furnishing is yours in this brand new conversion. Spacious recep, kit, all appliances, 1 bedrm, ensuite bthrm, cloakrm.
£380 pw 01-493-3354

Anscombe & Ringland
Hogg Robinson Property Group

KENWOODS RENTAL

QUALITY FURNISHED FLATS AND HOUSES
Short and Long Lets
23 Spring St., London W2 1JA
Tel: 01-402 2271 Telex: 25271
Fax: (01) 262 3750

SERVICED APARTMENTS CHELSEA well sited restaurants. Late night shopping. Furnished studio and 1 bed flats from £190 p.w. Min 1 month. Letting office Nell Gwynn House, Sloane Avenue, London SW3. Tel. 01-584 8317. Telex 916358 NGHLDN.

RENT Your Home Today To Rich Americans - We have too many impeccable tenants and not enough quality homes, in Kensington, Chelsea, Holland Park and Surrey. Don't miss this opportunity. Call Flora now at SAUNDERS of KENSINGTON, 01 581 3623.

PROPERTY TO RENT

Furnished lettings Company and Embassy Lets Long and Short Term
All appear in the FT every
Monday and Saturday
Further details from Clive Booth,
TELEPHONE 01-248 5284 FAX 01-248 4601

Clubs

Eve has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1.01-734 0557.

Educational

HOW TO START YOUR OWN BUSINESS Special free course for City people. Wed. Apr. 13. Details: Walker House Management Centre, 01-739 3021.

Southern England's only Development Area
South West Cornwall

COMMUNICATIONS: Dual carriageway from M5 to Tamar; flights daily to London; Pullman service to Penzance.

LABOUR: Ready supply of skilled and adaptable labour with excellent labour relations.

MAXIMUM GRANTS: Development Area with access to grants for expanding, qualifying companies.

INDUSTRIAL HERITAGE: A diverse base including engineering, electronics, printing, boatbuilding and food processing.

SITES AND PREMISES: An excellent range available now.

ENVIRONMENT: An exceptionally beautiful place to enjoy the quality of your working and leisure time.

For all the details contact the Economic Development Unit, Kerrier District Council, Camborne, Cornwall TR14 8SY

KERRIER
Cornwall's Industrial Centre

(0209) 712941

Deutsche Siedlungs- und Landesrentenbank Bonn/Berlin

DSL Bank

DM 100.000.000,—

Floating Rate Notes — Schuldverschreibungen — Serie 185 1985/1995

For the three months 10th April 1988 to 9th July 1988 the notes will carry an interest rate of 3,35% (Fibor less 0,10%) per annum with a coupon amount for DM41,88 per DM5.000, — note.

The relevant interest payment date will be 11th July 1988.

Listed on the Düsseldorf Stock Exchange

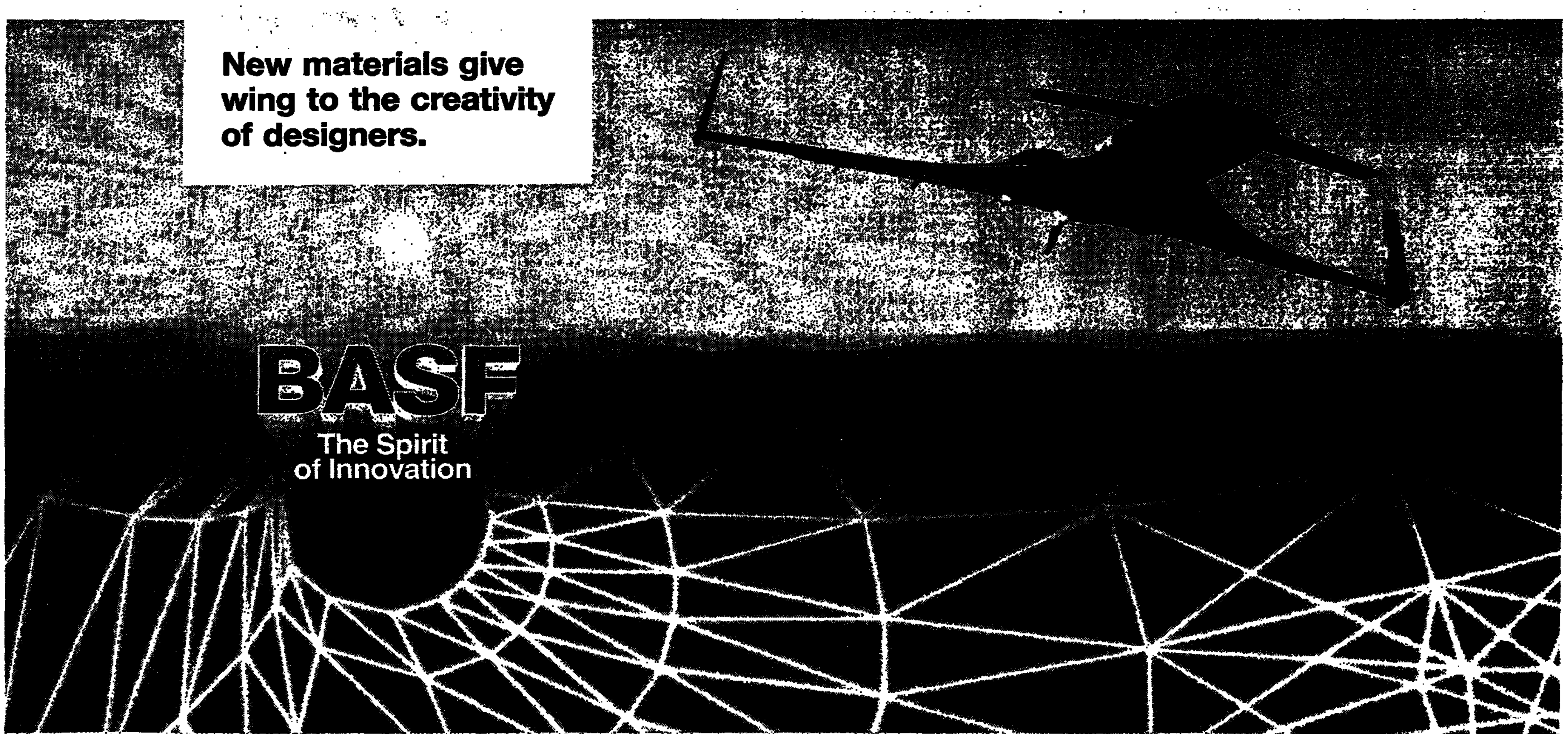
DSL Bank
Deutsche Siedlungs- und Landesrentenbank
Kennedyallee 62—70, 5300 Bonn 2
Telephone 0228 / 889-215
Teletex 228324 DSL Bank

JUGOBANKA
United Bank
U.S. $50,000,000
Floating Rate Notes 1989

NOTICE IS HEREBY GIVEN that a drawing of Notes due for redemption on 31st May 1988 will take place on 21st April 1988.

The prefix and note numbers drawn will be published at a subsequent date.

Barclays Bank PLC, 54 Lombard Street, London EC3P 3AH.
Fiscal Agent.



Technical designs, in all fields, demand increased performance but manufacture requires reduced costs, energy saving and environmental consciousness.

Designers are not at a loss for creative ideas but it is often the knowledge of a new material that provides the innovation.

That is why BASF is investing in plastics technology to meet future requirements.

We are among the top international group of manufacturers of new materials and are involved in research and development in Europe, the United States and Japan.

One outstanding example of our work is the revolutionary construction of the Beechcraft Starship 1.

The whole body of the plane is made of carbon fibre composites – a material which, weight for weight, is much more rigid and stronger than steel. Further features in its favor: it is absolutely dimensionally stable and resistant to corrosion and high temperatures. Experience has shown that such developments in the aircraft and aero industries provide important stimuli for markets.

There are already fascinating prospects for this material in automobile manufacture, mechanical engineering, and modern products for the domestic market.

The basis of our commitment and experience with composites is leading to a systematic development of a wide variety of potential applications. This approach coupled with the cooperation of our customers is resulting in benefits, through versatility and efficiency, to industry and individuals.

BASF Aktiengesellschaft · D-6700 Ludwigshafen

BASF

AF 1152e

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices April 8

Sales	Stock	High	Low	Close	Chng
6767	AMCA Int	\$5¾	5½	5⅝	
8400	Abitibi Pr	\$23⅛	22⅞	22⅞	
11600	Agnico E	\$18⅝	18⅛	18¼	−⅛
15621	Albrta En	\$18½	18¼	18⅜	
6050	Albrta N	\$14⅝	14⅛	14⅛	−¼
366265	Alcan	\$36¼	35	36	+½
881	Algo Cent	\$24½	24	24½	+¼
1435	Algoma St	\$19½	19	19½	
33030	A Barrick	\$26	25½	25⅞	+¼
36565	Asamera	\$11¾	11¾	11¾	
3050	Atco I f	\$10⅛	10	10	
95354	BCE Inc	\$39⅛	38⅞	39	
116354	BCE D	410	370	410	+45
2200	BC Sugar A	\$29⅜	29½	29⅜	+⅛
3300	BGR A	\$10⅞	10⅝	10⅞	+⅛
7402	BP Canada	\$21½	21¼	21½	+⅛
59224	Bk Montl	\$26¼	26⅛	26⅛	−⅛
184876	Bk NScot	\$12¾	12¼	12⅜	
1800	Baton	\$13½	13⅜	13½	+⅛
15500	Belmoral	223	220	220	−3
400	Bombdr A	\$9⅝	9½	9⅝	
8700	Bombdr B	\$9⅝	9½	9⅝	+⅛
100085	Bow Valy	\$14⅝	14¼	14½	+¼
9402	Bramalea	\$24¼	23¾	24	+½
97838	Brascan A	\$27¼	26⅝	26⅞	−¾
25300	Briwater	\$5¾	5½	5¾	+⅛
6960	BC ForP	\$20¼	20	20	−⅛
8645	BC Res	90	86	87	−3
4765	BC Phone	\$28⅝	28¼	28⅝	
2712	Bruncor	\$18⅝	18⅛	18⅝	+⅛
4325	Brunswk	\$11½	11¼	11½	+¼
63610	CAE	\$8⅛	7¾	8	−⅛
2300	CB Pak	\$22⅜	22¼	22¼	−⅛
4200	CCL B f	\$8	7⅞	8	
17300	CDC Life	\$26	25⅝	26	+¼
35	CIL	\$48½	48½	48½	

Sales	Stock	High	Low	Close	Chng
600	Conwst B	\$12⅛	12⅛	12⅛	
300	Corby A	\$19½	19½	19½	−¼
1100	Coscan	\$10¼	10¼	10¼	+⅛
1600	Crownx	\$12¾	12¾	12¾	+¼
7238	Crownx A f	\$6¼	6⅛	6½	
8720	Denison A	\$5⅞	5⅝	5⅝	
5192	Denison B f	\$5¾	5½	5½	−¼
1500	Dertan	\$11¾	11¾	11¾	−⅛
48050	Dickson A f	\$8	7¾	7⅞	+⅛
37630	Dolasco	\$29¼	28¾	28¾	−½
248927	Dome Pete	126	124	124	
163369	D Textile	\$16⅜	16	16¼	
41150	Domtar	\$15⅜	14⅞	15⅛	+⅜
150	Donohue	\$32	32	32	
10900	Du Pont A	\$29¾	29¾	29¾	
220400	Dylex A	\$10	9¾	10	+¼
200	E-L Fin	\$50	50	50	
25230	Echo Bay	\$26⅞	26⅜	26½	−⅜
600	Emco	\$12¼	12¼	12¼	−⅛
51800	EmpireA f	\$12¼	12⅛	12⅛	−⅜
6550	Enfield	\$6⅝	6½	6⅝	+⅛
13550	EquitySv A	\$5	495	5	+10
8200	FCA Intl	\$9¾	9½	9¾	+¾
65699	FPI Ltd	\$14¾	14¼	14⅜	−⅜
59218	Fcnbrdg	\$23¼	22⅞	23⅛	−⅜
70450	Fed Ind A	\$16⅝	16	16½	+¼
2150	Fed Plon	\$11	10⅞	11	
12300	Fin Traco	\$7¾	7⅝	7¾	
4133	Finning L	\$27	21	27	
700	FCity Fin	\$17¼	17¼	17¼	
3800	FMarathA f	\$8½	8¼	8½	+¼
100	Ford Cnda	\$127	127	127	+2
2236	Fortis	\$20	19⅞	19⅞	
51300	FourSeasn f	\$20	19¾	20	+¼
2276	GW Util	\$25	24¾	24¾	−½
38100	Galactic	\$6⅞	6¾	6⅞	
2375	Gandalf	\$9	8¾	9	+⅛
700	Gendis A	\$18½	18¼	18¼	−¼
1700	GE Can	\$18	18	18	
4	Giant Yk	\$18	18	18	

Sales	Stock	High
4728	Kiena Gld	\$15
59340	Labatt	\$24
339306	Lac Mnrls	\$14
247570	Lacana	\$13
779	Lafarge p	\$19
198490	Laidlaw A	\$23
761589	Laidlw B f	\$20
2000	Laur Bk	\$12
1652	Laur Gr B	\$9
6600	LawsnM A	\$14
700	Leigh Inst	\$6
1410	Loblaw Co	\$11
16755	Lonvest	\$18
12150	Lumonics	\$8
5150	MDS B	\$24
38500	Mac Kenzie	470
7425	Mclan H X	\$2
1200	Mcln HY f	\$21
77306	Macmillan	\$20
69110	Magna A f	\$12
1835	Maritime f	\$15
11269	Mark Res	\$10
150700	Mascot G	\$11
100	Mc Intyre	\$4
1926	Memotec	\$14
12675	Metall M	\$11
7900	Minnova	\$19
70500	Mitel Corp	350
42795	Molson A f	\$25
3900	Molson B	\$25
3100	M Trusco	\$14
72209	Moore	\$31
7207	Muscocho	355
24786	Nat Bk Can	\$10
124355	N Business	365
15550	Nt VG Trco	\$20
3670	NewTel Ent	\$18
18000	Noma A	\$14
8000	Noranda F	\$17
220455	Noranda	\$23

OVER-THE-COUNTER
Nasdaq national market, closing prices, April 8

Continued from Page 37

Stock	Sales (Hnds)	High	Low	Last	Chng
ProtLfe .70 11	43	15⅛	14⅞	14⅞	−¼
PrvBksh.10e	93	11⅜	11⅜	11½	+⅛
PrvLfe .83e 48	415	19⅝	19¼	19¼	−⅛
PgSdBc .80 17	273	19¾	19¼	19¾	+½
PultzPb .44 23	1	33¾	33¾	33¾	
PuritBe .11 28	439	26	25¼	25½	+¼
PyrmT 28	834	11½	11	11¼	
Qmax	403	5½	5	5⅛	−¼
QVC	456	9¾	9⅜	9½	−⅛
QuakCh .54 15	122	23¾	23½	23¾	+¼
Quantm 12	9152	10¾	10	10¼	−1

Stock	Sales (Hnds)	High	Low	Last	Chng
Simpin .56 21	1014	u17¼	15¼	17¼	+2
Sizler 17	231	17	16½	16¾	+¼
SmthF 9	88	26½	25¾	26½	+⅝
Society 1.36 9	149	33¾	33½	33½	−¼
SoctySv .80 6	96	18¼	18	18	−¼
SftwPb 19	772	16¼	15⅝	16	+⅛
SomrSv.12e 6	199	12	11¾	11¾	
SonocPs .52 20	581	28	27¼	28	+¾
SCarNt .56 8	69	20⅞	20⅝	20⅝	−¼
SCalWt 2.02 9	28	28¼	27½	27½	
Sounet 31	66	18	17¾	18	+¼

Stock	Sales (Hnds)	High	Low	Last	Chng
Undi 12	1344	23⅝	22¼	23¼	+⅞
UnNatl 1.36 10	24	30	29⅝	30	+½
UnPlntr .80 19	136	27	26¼	26½	+¼
UnSpIC 21	170	25¾	25⅝	25¾	+⅛
UACm .04 48	380	30½	29½	30½	+½
UBCol 24	1235	15⅛	14¾	15⅛	+⅜
UnEdSe 17	520	21⅞	20⅞	21⅞	+⅞
UHltCr	617	5	4¾	4¾	
UtdSvrs .72 6	353	20¼	19⅝	19⅞	−¼
USBcp 1 10	570	25¾	24⅞	25⅝	+⅜
US HltC.18 219	503	8⅞	8¾	8¾	−1-16

Stock	Sales (Hnds)	High	Low	Last	Chng
Wyse 11	1837	20⅛	19	20	+⅝
X Y Z					
XL Ons 18	167	22¼	21⅝	21¾	−½
XOMA	612	10¾	10¼	10½	
Xicor 28	2844	9⅛	8⅝	9	+⅜
Xidex	660	6¼	6	6⅛	−⅛
Xyvsn 38	151	5⅜	5⅛	5⅜	+⅛
YlowFs .82 18	1147	26⅜	26⅛	26⅜	+⅛
ZionUt 1.44	229	26¼	25¾	26¼	+1
Zondvn 46	720	10	9½	9¾	

INDICES

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Staley	3,555,900	37½	+ 6
Phillips Pet	3,076,700	18⅛	+ 1⅛
Lucky Stores	2,839,600	53	+ ½
Gannett	2,442,700	34	− 1⅛
Amer Medical (xd)	2,274,800	16	− ¼
Advanced Micro	2,225,200	13⅜	+ ⅜
National Semiconduc	2,041,900	13	+ ⅜
Archer Daniels	2,090,000	22⅝	+ 1⅛
Exxon	1,825,900	44⅝	+ ⅜
IBM	1,742,800	111⅛	+ 2⅜

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FINANCIAL TIMES
— Europe's Business Newspaper —
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INDICES

NEW YORK — DOW JONES

	Apr 8	Apr. 7	Apr. 6	Apr. 5	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
♦Industrials	2090.19	2062.17	2061.67	1997.51	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.51	89.17	89.16	89.32	95.51 (9/2/87)	81.26 (19/10/87)	–	–
Transport	883.66	874.25	875.15	867.83	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	176.56	174.37	174.56	171.35	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2103.78 (2084.22) Low 2051.06 (2042.94)

STANDARD AND POOR'S	Apr 8	Apr. 7	Apr. 6	Apr. 5	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	269.43	266.16	265.49	258.51	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	313.60	309.73	308.71	300.17	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.96	22.66	22.68	22.17	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.03	150.28	149.76	146.29	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	300.49	299.38	297.58	295.07	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	381.83	378.88	377.74	373.41	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar. 25	Mar. 18	Mar. 10	year ago (approx.)
Dow Industrial Div Yield	3.53	3.35	3.54	2.86

	Apr 6	Mar. 23	Mar. 16	year ago (approx.)
S & P Industrial div. yield	2.96	2.93	2.94	2.47
S & P P/E ratio	15.21	15.39	15.35	22.12

TRADING ACTIVITY †Volume

Millions	Apr. 8	Apr 7	Apr. 6
New York	170 190	177 840	189 760
Amex	10 530	9 984	11 373
OTC	134 454	133 524	137 608

NEW YORK	Apr 8	Apr. 7	Apr. 6
Issues Traded	1,963	1,990	1,973
Rises	1,107	975	1,186
Falls	434	535	406
Unchanged	422	480	381
New Highs	95	33	19
New Lows	7	10	8

CANADA
TORONTO

	Apr. 8	Apr. 7	Apr. 6	Apr 5	1987-88 High	1987-88 Low
Metals & Minerals	2784.7	2777.6	2762.7	2679.6	3507.5 (5/10/87)	1988.2 (2/1/87)
Composite	3381.1	3369.5	3360.6	3328.4	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1659.53	1657.67	1656.50	1633.80	2224.77 (16/7/87)	1435.94 (26/10/87)

Base values of all indices are 100 except NYSE All Common - 50, Standard and Poor's - 10, and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

	Apr 8	Apr 7	Apr 6	Apr 5	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1424.7	1412.6	1407.6	1412.5	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	675.1	672.3	681.6	688.0	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	174.76	175.11	175.50	175.30	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	4732.7	4752.7	4771.7	4805.6	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	199.28	198.40	196.18	194.63	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	642.5	639.3	633.8	630.8	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	287.4	289.5	285.2	284.6	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	103.5	103.5	101.9	101.4	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	458.04	459.59	455.72	451.72	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1396.2	1400.0	1391.7	1378.0	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2619.87	2623.08	2566.56	(c)	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Com. Ital. (1972)	524.59	522.02	513.17	513.99	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49) **	26748.89	26769.22	26511.17	26315.35	26769.22 (7/4/88)	18544.00 (13/1/87)
Tokyo SE New (4/1/68) *	2173.46	2168.35	2150.17	2136.04	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	249.6	250.4	246.9	241.7	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	208.1	208.1	206.5	203.8	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	405.97	406.03	404.19	397.30	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE ♦						
Straits Times Ind. (30/12/66)	943.0	946.8	935.0	926.8	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	1350.0	1301.0†	(c)	(c)	2499.0 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	1501.0	1497.0	(c)	(c)	2266.0 (16/10/87)	1387.0 (12/2/88)
SPAIN ψ						
Madrid SE (30/12/85)	274.43	274.09	271.75	272.87	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P (31/12/56)	2779.8	2773.1	2691.9	2710.5	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	518.1	520.3	517.2	512.6	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	457.2	455.3	449.9	495.9 (27/8/87)	361.3 (2/1/87)

** Japan Nikkei 2/4/88: 26320.07, 4/4/88 26335.29; 9/4/88 (c)
* TSE 2/4/88: 2153.66, 4/4/88: 2142.93; 9/4/88: (c)
ψ Spain Madrid SE 4/4/88: 271.43 ♦ Singapore Straits Times Ind. 4/4/88: 917.6
† Amended at source.

Closing prices, April 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14	AAR s	.36	1.6	19	1314	23 1/4	22 1/2	23	+3/4
27	10 1/2	AGS s			14	596	16 1/4	15 7/8	16 1/8	-3/8
10 1/2	4 5/8	AMCA				25	4 3/4	4 5/8	4 3/4	
8 5/8	3 1/4	AM Intl				1912	4 1/4	4	4 1/4	+1/8
65 1/2	29 3/4	AMR			13	6019	42 3/4	41 1/2	42 1/2	+3/4
24 3/4	19	ANR pf	2.12	9.1		100	23 3/8	23 3/8	23 3/8	+1/8
12 1/4	6 3/8	ARX			9	85	8 1/2	8 1/4	8 1/2	
73 1/2	40 1/8	ASA	3	6.7		415	45 1/8	44 1/2	44 5/8	-1/8
22 3/8	9 1/2	AVX			15	163	17 1/2	16 3/4	17 1/2	+3/4
69 3/8	40	AbtLab	1.20	2.4	19	14348	51 1/4	49	50 3/4	+1 7/8
28	15 3/8	Abitibi g	1			56	18 5/8	18 1/2	18 5/8	+1/8
16 3/4	8 1/2	AcmeC	.40	3.0		149	13 3/8	13 1/8	13 1/8	-1/8
10 1/2	6 3/4	AcmeE	.32b	4.4	20	23	7 1/4	7 1/8	7 1/4	
20	14 1/8	AdaEx	2.93e	18.		39	16	15 3/4	15 7/8	+1/8
19 1/4	6 7/8	AdamM	.24	1.8	11	68	13 1/2	13 1/2	13 1/2	+1/8
24 7/8	7 1/2	AMD				22245	13 5/8	12 1/4	13 1/2	+1
56 3/4	29 1/4	AMD pf	3	7.6		461	39 1/2	38 1/2	39 1/4	+3 1/4
11 7/8	4 5/8	Adobe			13	130	7 1/2	7 3/8	7 3/8	-1/4
20 1/2	16 1/4	Adob pf	1.84	10.		124	18 1/8	17 1/4	17 3/4	-1/8
27 3/4	17 1/2	Adob pf	2.40	12.		27	21	20 3/4	20 3/4	-1/4
15	6 1/8	Advest	.12a	1.6	7	108	7 3/8	7 1/4	7 3/8	
64 1/2	42 5/8	AetnLf	2.76	6.2	6	2985	44 1/4	43 3/4	44 1/4	+5/8
83 1/2	41	AflPub	.40	.6	38	1023	66 1/4	63	66	+2 1/2
24 3/4	13	Ahmans	.88	5.6	6	2885	15 7/8	14 7/8	15 3/4	+3/4
5	1 3/4	Aileen				70	2 3/8	2 1/2	2 3/8	+1/8
53 7/8	29	AirPrd	1	2.1	15	2205	48 1/8	47 1/4	48 1/8	+5/8
36	11 1/8	AirbFrt	.60	3.5	16	257	17 1/2	17 1/4	17 3/8	-1/8
16 1/2	6 3/4	Airgas			17	37	13 3/8	13 1/8	13 1/8	-1/8
19 3/4	13 1/2	Airlease	2.30	12.	10	18	19	18 7/8	19	+1/8
1/2	5-16	AlMoan			47	20	15-32	15-32	15-32	
[illegible]										

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅝	¾	Wurlitch				182	⅞	13-16	13-16	
17½	7	WyleL s	.28	3.0	16	276	9⅝	9¼	9⅜	+⅛
30⅝	14½	Wynns	.80	2.9	45	28	27	26¾	27	+¼
		X Y Z								
85	50	Xerox	3	5.4	10	1794	55¼	54	55⅛	+1
50¾	48⅞	Xerox pf4.13		8.3		47	49½	49½	49½	
34⅝	19⅛	XTRA	.64	1.9	17	361	33¼	32¾	33	+¼
29½	19½	XTRA pf1.94		6.9		24	28	27⅞	28	+½
42⅝	17½	Yorkln			15	364	u43¼	42	43¼	+1
7¼	2¼	Zapata				219	3⅝	3¼	3⅝	
37	13½	Zayre	.40	1.7	11	8098	24⅞	23½	23⅞	−⅛
16⅛	8¾	Zemex	.40	2.8	18	39	14¾	14⅝	14⅝	−⅛
33⅝	10	ZenithE				1737	20⅝	19¾	20½	+¾
12⅞	2⅜	ZenLab				758	2⅝	2½	2½	−⅛
24	13½	ZenNti	.80	4.1	9	126	19¾	19⅝	19⅝	
20⅝	11⅝	Zero	.36	2.4	15	68	14⅞	14½	14¾	−⅛
30¾	15	Zurnln s	.68	3.0	16	105	22½	22	22⅝	+¼
10⅝	7⅝	Zweig	1.34e	13.		604	10	9⅞	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

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AMEX COMPOSITE CLOSING PRICES

Closing prices April 8

OVER-THE-COUNTER

Nasdaq national market, closing prices, April 8

Continued on Page 35

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Immediate fate of sterling and dollar remain in doubt

BY COLIN MILLHAM

FRIDAY'S CUT of ½ p.c. to 8 p.c. in UK bank base rates contained a certain element of surprise, as far as the City was concerned.

Mr Neil MacKinnon, economist at Nomura Research Institute, said it gave no incentive to overseas investors to buy UK gilts, because of the uncertainty surrounding the market.

Mr MacKinnon added there was a strong arguement in financial markets for a reduction of 1 p.c. in base rates, followed by heavy intervention from the Bank of England to sell sterling. This would have squeezed speculative positions, and possibly put an end to the upward pressure on the pound, but he does not see Friday's move as achieving this objective.

At the same time he said investors in Tokyo are confused about the attitude of the UK authorities on interest rates, and are likely to stay in their own market.

The fear in the City is that the authorities are not coming to grips with the problem. Sterling fell only slightly on Friday's rate cut, and it would not be surprising if the currency rises again this week.

According to market contacts there is a strong possibility the Bank of England will be forced into another base rate cut, only to reverse the situation later in the year. Mr MacKinnon said he thinks rates could be increased by 2 p.c. in the summer as economic factors move against the pound.

City economists tend to be concerned that there is little in the underlying economic situation, and particularly the worsening UK trade balance, to justify the upward pressure on sterling.

Two factors are likely to decide the immediate fate of the dollar, and it appears there may be more potential on the downside than upwards.

Finance ministers from the Group of Seven meet in Washington this week, and the US trade figures for February will be published on Thursday.

Last week the financial markets appeared to accept the G7 meeting and the trade news could underpin the dollar, but if these prove disappointing the US currency may still have room to fall.

It was hardly surprising that rumours circulated about the dollar, ahead of the G7 meeting. These concentrated on the likely floor against the yen, but the market was generally sceptical that any set trading range would be announced.

It was generally felt that finance ministers would reaffirm the commitment to a stable dollar, but do little else to support the currency.

In nervous trading dealers were reluctant to take out positions ahead of the weekend, and probably went home roughly square.

The G7 meeting may fail to come up with any convincing reasons for a stable dollar, and there must be equal doubt that the US trade figures for February will be as good as some forecasts.

The trade figures are not seasonally adjusted, and seasonal factors should lead to an improvement from the January deficit of $12.44bn.

£ IN NEW YORK

Apr.8	Close	Previous Close
£ Spot	1.8740-1.8750	1.8750-1.8760
1 month	0.21-0.19pm	0.23-0.21pm
3 months	0.60-0.57pm	0.70-0.67pm
12 months	2.13-2.03pm	2.35-2.27pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4607	+2.36	+0.92	±1.5344
Danish Krone	7.85212	7.94522	+1.19	-0.25	±1.5404
German D-Mark	2.05853	2.07587	+0.84	-0.60	±1.0981
French Franc	6.90403	7.04210	+2.00	+0.56	±1.3674
Dutch Guilder	2.31943	2.32989	+0.45	-0.99	±1.5012
Irish Punt	0.768411	0.776704	+1.08	-0.36	±1.6684
Italian Lira	1483.58	1540.08	+3.81	+3.03	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Apr.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8660-1.8800	1.8755-1.8765	0.19-0.16cpm	1.12	0.59-0.54pm	1.20
Canada	2.3330-2.3455	2.3400-2.3410	0.06-0.16cdis	-0.56	0.23-0.36dis	-0.50
Netherlands	3.50¼-3.53	3.51¼-3.52¼	1⅛-1cpm	4.47	4⅛-3½pm	4.33
Belgium	65.40-65.85	65.60-65.70	25-7cpm	2.92	49-30pm	2.41
Denmark	11.97¾-12.03¼	12.02-12.03	⅝pm-1¼oredis	-0.31	1½-2dis	-0.52
Ireland	1.1715-1.1770	1.1740-1.1750	0.13-0.18pdis	-1.58	0.32-0.42dis	-1.26
W. Germany	3.12½-3.14¼	3.13½-3.14	1½-1pfpm	5.02	4¼-3⅞pm	5.02
Portugal	255.75-257.85	256.00-257.00	57-106cdis	-3.81	182-290dis	-3.68
Spain	206.95-208.90	207.55-207.85	14-35dis	-1.42	58-90dis	-1.43
Italy	2321¾-2331¼	2325½-2326½	par-6liredis	-1.55	9-16dis	-2.15
Norway	11.70-11.75¼	11.73½-11.74½	4⅞-5⅞oredis	5.24	14⅞-16½dis	-5.34
France	10.60½-10.66	10.63¾-10.64¾	⅞pm-¼cdis	0.32	⅞pm-⅜dis	0.09
Sweden	11.04-11.09¾	11.08¾-11.09¾	½-1½oredis	-1.08	2¼-3¼dis	-1.08
Japan	234½-236	235-236	1⅛-½ypm	4.46	3-2⅞pm	4.56
Austria	22.00-22.11	22.02-22.05	9⅞-8¼gropm	4.80	26⅞-23¼pm	4.50
Switzerland	2.58¼-2.59	2.58¾-2.59¾	1¼-1⅛cpm	6.65	4½-3⅞pm	6.46

Belgian rate is convertible francs. Financial franc 66.00-66.10. Six-month forward dollar 1.03-0.95cpm 12 months 2.00-1.85cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8660-1.8800	1.8755-1.8765	0.19-0.16cpm	1.12	0.59-0.54pm	1.20
Ireland†	1.5940-1.6000	1.5960-1.5970	0.09-0.14cdis	-0.87	0.09-0.19cdis	-0.35
Canada	1.2450-1.2495	1.2475-1.2485	0.16-0.19cdis	-1.68	0.52-0.55dis	-1.71
Netherlands	1.8730-1.8815	1.8765-1.8775	0.48-0.46cpm	3.00	1.41-1.37dis	2.96
Belgium	34.95-35.10	34.95-35.05	5-2cpm	1.20	10-7pm	0.97
Denmark	6.39¼-6.41¾	6.40¼-6.41¼	0.70-1.30oredis	-1.87	2.55-3.15dis	-1.78
W. Germany	1.6680-1.6770	1.6720-1.6730	0.52-0.50pfpm	3.65	1.53-1.50pm	3.62
Portugal	136½-137	136¾-137	50-70cdis	-5.28	150-200dis	-5.14
Spain	110.15-111.50	110.80-110.90	20-30cdis	-2.71	80-90dis	-3.07
Italy	1238-1243½	1239¾-1240¼	2.70-3.70liredis	-3.09	10.30-12.30dis	-3.64
Norway	6.24½-6.27¼	6.25½-6.26	3.35-3.70oredis	-6.75	10.40-10.80dis	-6.77
France	5.66¼-5.68¾	5.67-5.67½	0.50-0.70cdis	-1.27	1.95-2.15dis	-1.44
Sweden	5.89¾-5.91¼	5.90¾-5.91¼	1.20-1.40oredis	-2.64	3.55-3.85dis	-2.51
Japan	125.00-125.85	125.45-125.55	0.35-0.30ypm	3.11	1.00-0.95dis	3.11
Austria	11.73-11.77¾	11.77¼-11.77¾	3.30-3.00gropm	3.22	9.50-8.50pm	3.06
Switzerland	1.3790-1.3865	1.3820-1.3830	0.63-0.58cpm	5.24	1.79-1.74pm	5.10

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.15-35.25.

EURO-CURRENCY INTEREST RATES

Apr.8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¼-8	8¼-7⅞	8¼-8⅛	8⅜-8¼	8⅜-8¼	9-8⅞
US Dollar	6⅞-6⅞	6⅞-6⅞	7-6⅞	7⅛-7	7⅜-7¼	7⅞-7⅝
Can. Dollar	8⅝-8¼	8⅞-8⅞	8½-8¼	8¾-8½	8⅞-8⅝	9¼-9
D. Guilder	4-3¾	4-3⅞	4-3⅞	4-3⅞	4⅛-4	4⅜-4¼
Sw. Franc	2¼-2	1⅞-1⅝	1⅞-1⅞	1⅞-1⅞	2⅛-2⅛	2⅞-2⅞
Deutschmark	3⅝-3¼	3⅝-3¼	3⅝-3⅝	3⅞-3⅞	3⅞-3⅞	3⅞-3⅝
Fr. Franc	7⅝-7⅛	7⅞-7⅞	8⅛-7⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.8760	1.8743	1.8704	1.8661	1.8568
D-mark	3.1375	3.1249	3.0977	3.0636	2.9902
French Fr.	10.643	10.643	10.642	10.641	10.643
Swiss Fr.	2.5925	2.5787	2.5517	2.5150	2.4452
Yen	235.50	252.67	250.97	248.62	243.66

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
116	642	—	4	—
118	450	—	12	—
120	305	—	31	—
122	146	—	108	—
124	53	—	215	—
126	23	—	349	—
128	9	—	535	—

Estimated volume total, Calls 3345 Puts 2088
Previous day's open int. Calls 36092 Puts 25409

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
84	649	630	11	56
86	458	501	20	127
88	315	349	41	211
90	154	239	116	301
92	57	151	219	413
94	25	112	351	538
96	11	48	537	710

Estimated volume total, Calls 15 Puts 1
Previous day's open int. Calls 2496 Puts 936

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
16500	1497	1572	7	82
17000	1025	1165	35	175
17500	614	816	124	326
18000	309	539	319	549
18500	126	333	636	843
19000	41	193	1051	1203
19500	10	104	1520	1614

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 40 Puts 79

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Apr	Calls-settlements MAY	Puts-settlements Apr	Puts-settlements MAY
170	1740	1740	0	0
175	1240	1240	0	6
180	740	757	1	39
185	272	378	37	160
190	32	140	297	422
195	1	37	766	819
200	—	—	—	—

Estimated volume total, Calls 10 Puts 27
Previous day's open int. Calls 244 Puts 233

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9175	83	76	3	22
9200	61	60	6	31
9225	41	45	11	41
9250	24	31	19	52
9275	13	22	33	68
9300	6	14	51	85
9325	3	9	73	105

Estimated volume total, Calls 50 Puts 75
Previous day's open int. Calls 2924 Puts 2526

LIFFE SHORT STERLING

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
9075	84	64	2	15
9100	61	47	4	23
9125	40	33	8	34
9150	24	21	17	47
9175	11	14	29	65
9200	5	8	48	84
9225	—	4	—	105

Estimated volume total, Calls 270 Puts 291
Previous day's open int. Calls 2877 Puts 2040

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Jun	1.8700	1.8709	1.8709	1.8630
Sep	1.8640			1.8565
Dec	1.8590			1.8510

Estimated Volume 5(0)
Previous day's open int. 212(212)

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Waiting to see if the cut is enough

INTEREST RATES on the London money market fell an average of about ¼ p.c. on the decision of the Bank of England to cut its intervention rate, and signal a reduction of ½ p.c. to 8 p.c. in bank base rates.

The market now waits to see whether the authorities have stemmed the flow into sterling, or if the pound will again threaten the DM3.15 level, and bring about yet another cut in base rates.

UK clearing bank base lending rate
8 per cent
from April 11

Mr Christopher Johnson, chief economic adviser at Lloyds Bank, said UK monetary policy has become a battleground for two conflicting theories.

He suggests that the Prime Minister has taken the advice of monetarist advisers to allow the pound to rise. This overrides Mr Nigel Lawson, the Chancellor's commitment to exchange rate stability.

But at the same time Mr Johnson says the pound has become difficult to forecast.

This appears to be even more the case after Friday's cut in bank base rates.

Mr Johnson tends to agree with the school of thought suggesting that markets may soon turn from testing whether there is a cap to the pound to testing if there is a floor.

He suggests the new found strength of sterling will not last long, and expects the currency to fall below DM3.00 by September.

He argues that it will now be more difficult for the authorities to put a floor under sterling if it falls towards DM2.90. He says the pound needs to and will fall, because of high UK growth and a widening balance of payments deficit.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.8) 3 months US dollars		6 months US Dollars	
bid 7	offer 7⅛	bid 7⅛	offer 7⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8½	One month	5.62	Three year	7.64
Broker loan rate	7¾-8	Two month	5.89	Four year	7.89
Fed.funds	6¾-⅞	Three month	6.19	Five year	8.04
Fed.funds at intervention	-	Six month	6.46	Seven year	8.32
		One year	6.94	10-year	8.49
		Two year	7.46	30-year	8.69

Apr.8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.20-3.30	3.25-3.35	3.30-3.40	3.30-3.45	3.35-3.50	4.50
Paris	7⅛-7⅜	7⅞-7⅞	8-8⅛	8⅛-8⅜	8⅜-8½	7.25

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON MONEY RATES

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EXCHANGE CROSS RATES

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 26,629

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Mortgage base rate. § Demand deposit 3.50%. Mortgage 9.625% - 10.%

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY APRIL 8 1988 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY APRIL 7 1988 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988 High	1988 Low	Year ago (approx)
Australia (89)	117.15	+1.5	92.58	105.11	4.11	115.39	91.39	104.07	119.90	91.16	132.17
Austria (16)	91.70	-0.1	72.47	79.73	2.63	91.82	72.72	79.99	98.18	84.35	93.83
Belgium (65)	128.36	-0.4	101.44	111.43	4.44	128.90	102.09	112.21	139.89	99.14	120.20
Canada (126)	123.40	+0.0	97.52	111.51	2.96	123.34	97.68	111.19	123.42	107.06	134.40
Denmark (39)	122.97	+0.9	97.18	107.21	2.66	121.85	96.51	106.61	122.97	111.42	113.73
Finland (25)	127.49	+0.3	100.75	107.32	1.92	127.07	100.64	107.33	127.49	106.78	–
France (121)	83.11	+0.7	65.68	73.95	4.35	82.56	65.39	73.72	88.72	72.77	118.78
West Germany (99)	78.61	+0.0	62.12	68.35	2.68	78.61	62.25	68.59	80.79	67.78	93.43
Hong Kong (47)	103.28	-0.1	81.62	103.54	4.38	103.44	81.92	103.68	103.44	84.90	109.81
Ireland (18)	121.69	+0.8	96.17	107.41	4.13	120.75	95.63	106.91	122.83	104.60	119.73
Italy (102)	79.46	+1.1	62.79	73.58	2.55	78.60	62.25	73.11	81.74	62.99	104.80
Japan (457)	173.08	+0.5	136.78	137.31	0.52	172.17	136.35	136.91	173.08	133.61	146.42
Malaysia (36)	*125.55*	*+3.3*	*99.22*	*124.49*	*3.14*	*121.58*	96.29	121.11	125.55	107.83	141.11
Mexico (14)	139.08	+0.5	109.91	345.94	1.03	138.42	109.63	344.31	176.90	90.07	155.25
Netherland (38)	109.87	+0.5	86.83	94.12	4.85	109.31	86.57	94.02	109.87	95.23	116.55
New Zealand (22)	76.43	-0.7	60.40	61.86	5.59	76.97	60.96	62.65	79.15	64.42	96.19
Norway (25)	126.40	-0.5	99.89	107.35	2.76	127.01	100.59	108.31	127.01	98.55	131.52
Singapore (26)	109.54	-0.7	86.57	101.09	2.43	110.28	87.34	101.92	114.93	97.99	121.56
South Africa (60)	129.18	-0.1	102.09	83.67	5.09	129.31	102.41	81.94	139.07	118.16	182.85
Spain (42)	151.99	+0.1	120.12	127.64	3.34	151.90	120.30	127.73	153.85	130.73	112.87
Sweden (38)	121.87	+0.8	96.31	106.62	2.64	120.94	95.78	106.03	121.87	96.92	116.28
Switzerland (56)	81.00	-0.2	64.02	69.43	2.47	81.19	64.30	69.92	86.75	76.22	98.77
United Kingdom (330)	138.03	+1.2	109.08	109.08	4.34	136.42	108.04	108.04	140.79	123.09	127.68
USA (584)	109.68	+1.3	86.68	109.68	3.45	108.32	85.79	108.32	110.51	99.19	119.96
Europe (1014)	108.90	+0.7	86.06	90.96	3.82	108.11	85.62	90.57	110.53	97.01	114.01
Pacific Basin (677)	168.10	+0.5	132.85	134.61	0.70	167.20	132.42	134.21	168.10	130.81	144.46
Euro-Pacific (1691)	144.43	+0.6	114.14	117.28	1.65	143.57	113.71	116.88	144.43	120.36	132.31
North America (710)	110.41	+1.2	87.25	109.81	3.42	109.12	86.42	108.51	111.07	99.78	120.72
Europe Ex. UK (684)	90.84	+0.3	71.79	79.61	3.34	90.54	71.71	79.64	92.44	80.27	105.58
Pacific Ex. Japan (220)	108.06	+0.7	85.40	100.04	4.18	107.26	84.95	99.62	108.75	87.51	120.51
World Ex. US (1891)	143.55	+0.6	113.45	116.85	1.72	142.73	113.04	116.44	143.55	120.26	132.94
World Ex. UK (2145)	129.73	+0.8	102.53	114.92	2.06	128.77	101.98	114.23	129.73	111.77	127.90
World Ex. So. Af. (2415)	130.46	+0.8	103.10	114.56	2.26	129.43	102.51	113.84	130.46	113.26	127.52
World Ex. Japan (2018)	110.01	+1.0	86.94	102.52	3.61	108.93	86.27	101.60	110.99	100.00	119.06
The World Index (2475)	130.46	+0.8	103.10	114.35	2.27	129.44	102.51	113.62	130.46	113.37	127.87

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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SECTION III

FINANCIAL TIMES SURVEY

The 50th anniversary of the Anschluss, and the Waldheim affair, have provoked some deep self-examination among Austrians over the country's part in the Second World War. Current economic policies are being given similar close scrutiny, as **Robert Mauthner** reports.

Facing the big issues

AUSTRIA, for so long a haven of social partnership and economic prosperity, is going through the most traumatic period of self-examination since the inter-war years and the 1938 *Anschluss* with Germany.

The agonising reappraisal of its recent history and, particularly, the part it played in the Second World War and the destruction of what was once one of the largest Jewish communities in Europe, has hardly been self-induced.

It has been forced on a reluctant people by the wide publicity given to the report of an international commission of historians on President Kurt Waldheim's role in the German *Wehrmacht*, which has coincided with the commemoration of the 50th anniversary of the *Anschluss*.

The conjunction of the two events has undermined not only the traditional political consensus between the two grand coalition partners, the Socialists (Spoe) and the conservative Austrian People's Party (Oevp), but has split the Austrian people right down the middle. For the first time in 40 years, the public and the body politic have found themselves passionately involved in a nationwide debate on an issue of major national and international importance.

Many people believe that this is not such an undesirable development and that the time was ripe, in any case, for ending the good old Austrian habit of sweeping unpleasant problems under the carpet and fudging political disagreements.

Consensus politics, the result of a widespread and deep-seated desire to avoid a repetition of the civil strife of the 1930s, has served the country well during a critical phase of its post-war economic renaissance. But it has also contributed to collective amnesia and promoted a system of political patronage and corruption, unworthy of a modern democratic society.

It has to be recognised that the international community is at least partly responsible for the failure of Austrians, over the past four decades, to face the facts of the war years.

It was the Allies who formally proclaimed, as the Second World War was drawing to a close, that Austria was the first of Nazi Germany's victims. They thus implicitly exonerated the Austrians from undertaking, until today, the kind of self-analysis which had long ago taken place in West Germany.

Nor has the fierce criticism which has been heaped upon Austrian heads by international commentators always been based on the historical insight that might be expected in matters so important and complicated. Austrians are entitled to demand that such criticism should not be taken out of historical context.

The enthusiasm of a substantial part of the population for Hitler's soldiers as they marched into Austria in March 1938 must be seen in the light of the country's miserable political and economic situation after the First World War.

Austria then was a barely viable state, no more than a German-speaking rump of the vast Habsburg empire which once stretched far into eastern and south-eastern Europe — shorn of some of its most prosperous industrialised regions like Bohemia, and wracked by food shortages and a rate of unemployment unimaginable in the developed world today.

In such a climate, many people saw their only salvation in a union with Germany and an *Anschluss* became a respectable political objective, espoused even by Socialists in the period preceding Hitler's rise to power.

While that can hardly serve as an excuse for the horrific deeds perpetrated by Austrian Nazis during the war, it at least offers a rational explanation of historical events which would otherwise remain incomprehensible.

Today, a substantial section of the population, about 20 per cent according to one recent public opinion poll, still believes that the *Anschluss* had brought about "the natural reunion of the German people," while only 15 per cent said it had been a purely bad development.

But the country has at last begun to accept responsibility for its part in the execution of 65,000 Jews and other political deportees. Much of the credit for this new attitude must go to Mr Franz Vranitzky, the Chancellor, and his Socialist supporters, who, for once, have not hesitated to call a spade a spade.

Austrians were not merely "victims and passive players in a game of history which is decided by someone else," he said at a solemn commemoration of the 50th anniversary of the country's annexation by Germany.

Mr Vranitzky has been assiduous in supporting the many meetings and exhibitions in Vienna commemorating the events of 1938 and the war crimes perpetrated by the Nazis, while Mr Alois Mock's People's Party has been noticeably less outspoken in its condemnation of Austria's wartime record. Indeed, the party general secretary, Mr Michael Graff, was forced to resign after making a number of anti-semitic remarks.

The differences between the two coalition partners have been even more pronounced over the explosive issue of whether President Waldheim should resign, after the international panel of historians had found that, while not personally guilty of war crimes, he had lied about his wartime activities as an intelligence officer in the Balkans and had known about the deportation of Greek Jews.

The Socialists, acutely aware of the international isolation of Austria as a result of the Waldheim affair, wanted the President to step down in the interests of the country. However, their conservative partners have fully supported Mr Waldheim's stubborn refusal to relinquish his office on the grounds that he was democratically elected and that the international commission had found that he was not guilty of war crimes.

At one stage, in February this year, it looked very much as if the coalition would fall, with Mr Vranitzky threatening to resign because the Waldheim affair was taking up more and more of his time and preventing the Government from carrying out the really urgent economic tasks facing it. The Chancellor eventually changed his mind, as it became obvious that Mr Waldheim intended to continue in office come what may, and was determined, above all, to resist international pressure for his departure.

Though the exact reasons for Mr Vranitzky's change of course are not clear, it seems that he feared his resignation could lead to the formation of a coalition between the People's Party and Mr Joerg Haider's right-wing Freedom Party. The Chancellor, too, appears to feel that Austria should not be seen to bow to what the press and many of his compatriots are beginning to see as foreign interference in the country's affairs.

President Waldheim, who consistently appears to confuse his own interests with that of his country, has been counting on this backlash effect and may now feel that he has weathered the worst of the storm.

It is anybody's guess whether the crisis is really over, but the betting must be that it has just been postponed and will flare up again soon, perhaps during the Pope's forthcoming visit to Austria.

For the moment, both the coalition partners are giving the impression that they must now turn their attention to more practical issues, in particular the economic reforms which are one of the main planks of their programme.

Curiously enough, the famous consensus has been broadly maintained in the economic field, in spite of all the political disputes. Ideological differences have become blurred as the government has started to come to grips with the need to bring down a mounting budget deficit and a huge public debt, the servicing of which is threatening to absorb some 25 per cent of government revenues by 1992 if nothing is done to halt the present trend.

After nearly two decades of steady growth, exceptionally low inflation and minimal unemployment, Austria has sunk in the growth league and can no longer sustain the burden of propping up inefficient nationalised industries. Even its formerly sacrosanct social security system, the Socialists' pride and joy, is no longer immune to public spending cuts.

Though Mr Vranitzky, as distinct from Mr Mock, the conservative Vice-Chancellor and Foreign Minister, still shirks away from the concept of privatisation, their economic philosophy is, for all intents and purposes, the same. They agree that state industries, which soak up the major proportion of government subsidies and credit guarantees, must be made more efficient and competitive through restructuring.

Under a typical compromise, the Government will retain a 51 per cent stake in a state-run company due to be privatised, while the remaining 49 per cent will be sold off to the public in stages.

Significantly, a compromise was also reached at the height of the Waldheim crisis on a much-needed reform simplifying and modernising the tax system, under which the highest and lowest rates of income tax have been lowered and some traditionally exempt savings have been made liable to a witholding tax.

That agreement was eventually reached on such a controversial issue and at such a fraught moment, is another indication that the will of the two main parties to persevere with their coalition is greater than is generally supposed.

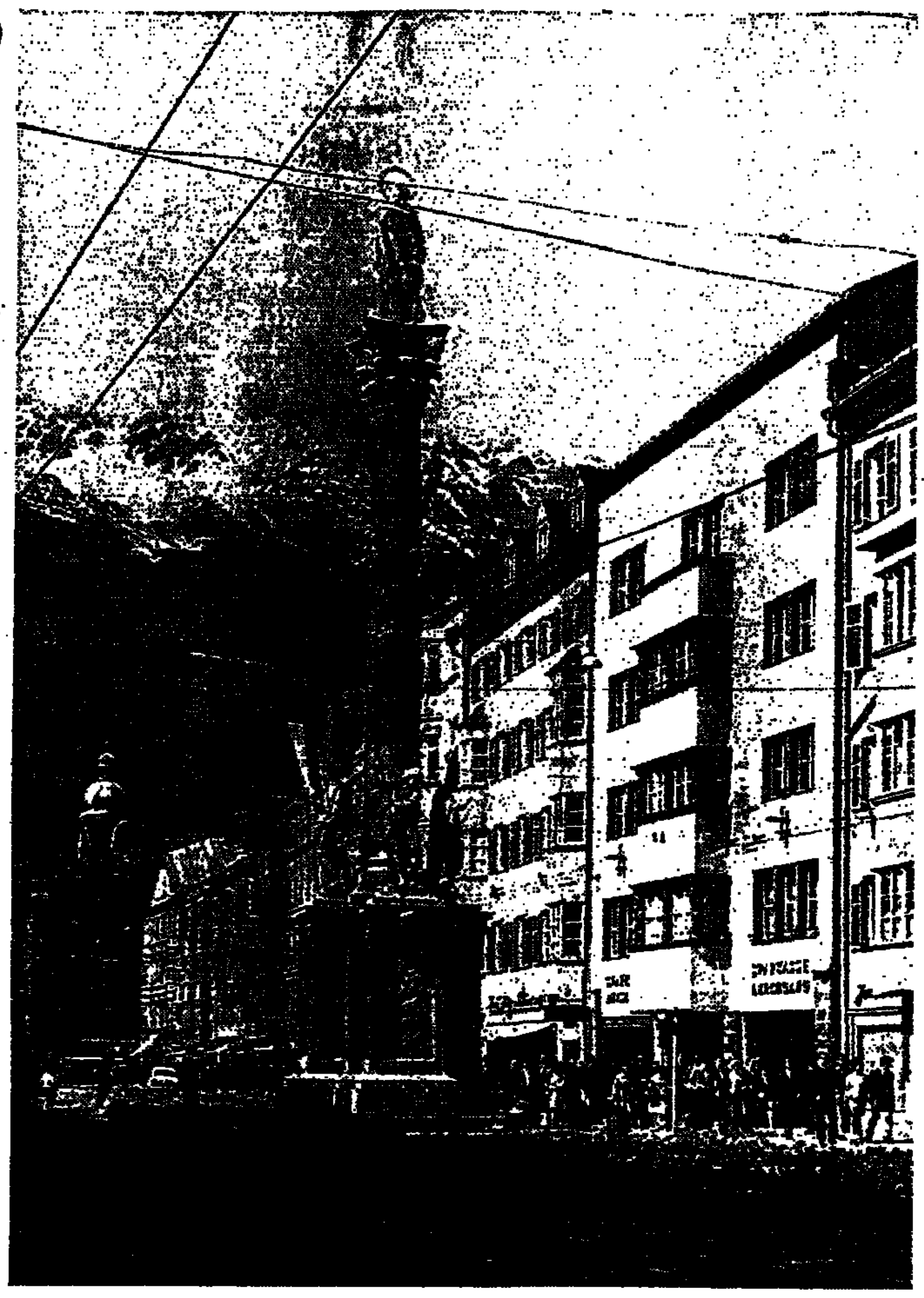
The one major issue on which there is least disagreement is the policy of applying to the European Community for participation in its internal market, which is due to be completed in 1992.

Apart from the Waldheim affair, there is nothing which has caught the political and industrial establishment's imagination more than the need to take part in this next stage of European integration, though the political and economic obstacles to such a step are frequently underestimated.

Beating the European drum has proved a profitable exercise for the Government, not only because it is a popular policy. The need to modernise the country's economic structures and adapt them to a wider European Common Market can be used as a carrot, or sometimes a stick, to persuade industries and labour unions to swallow financial restraints and lay-offs which they would otherwise have found unpalatable.

There is something faintly disquieting about this late-flowering enthusiasm for the European Community — almost as if Austrians consider it to be the coun-

Continued on page 2



Left: Maria Theresien Strasse in Innsbruck, capital of the Tyrol and a central part of Austria's popular tourist image. Recent events have revived some darker realities behind the picturebook idyll and shown that a national reckoning is due. In parallel, the country is undergoing a deep reappraisal of its economic policies, which are also being overhauled.

AUSTRIA

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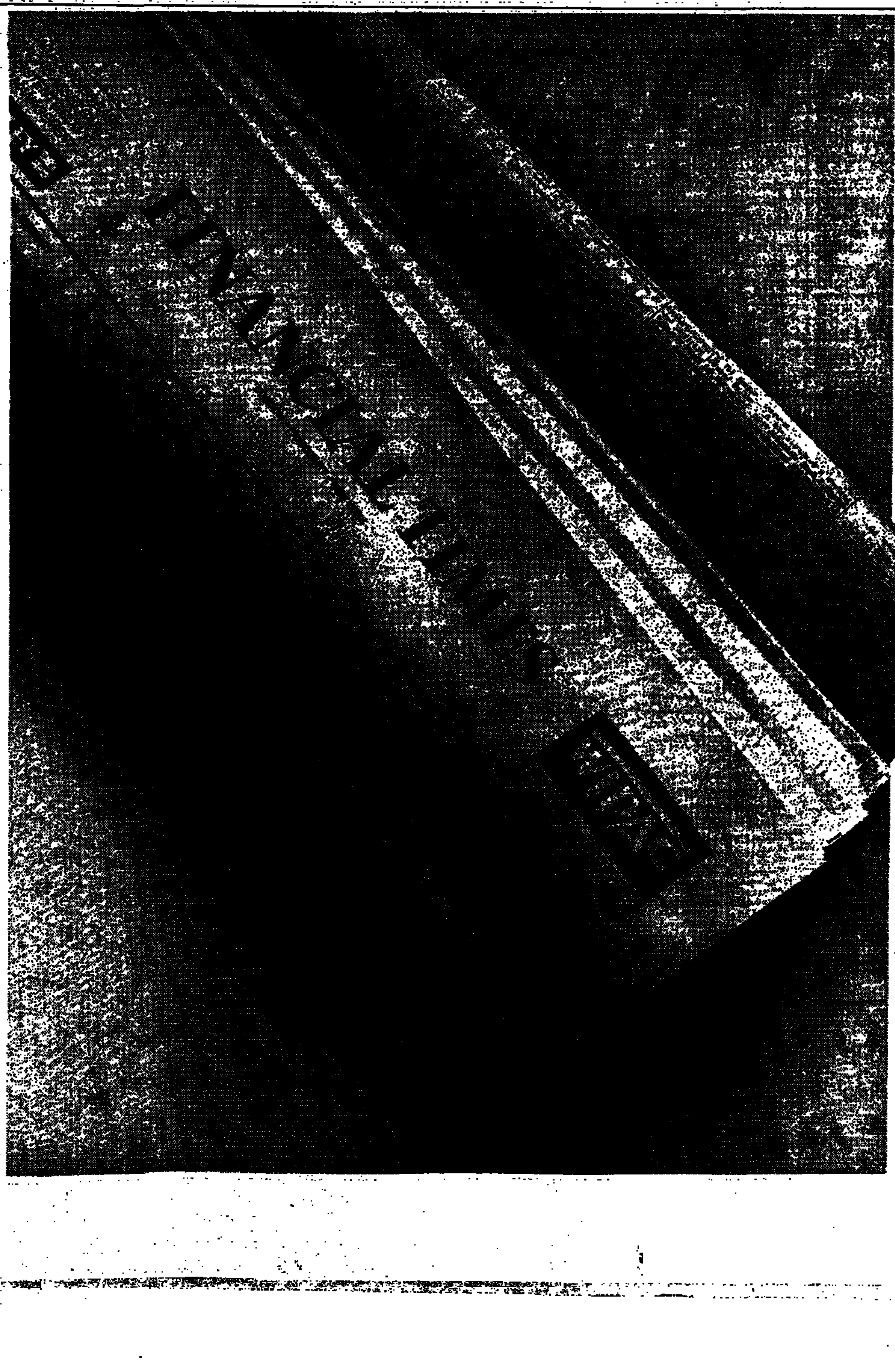

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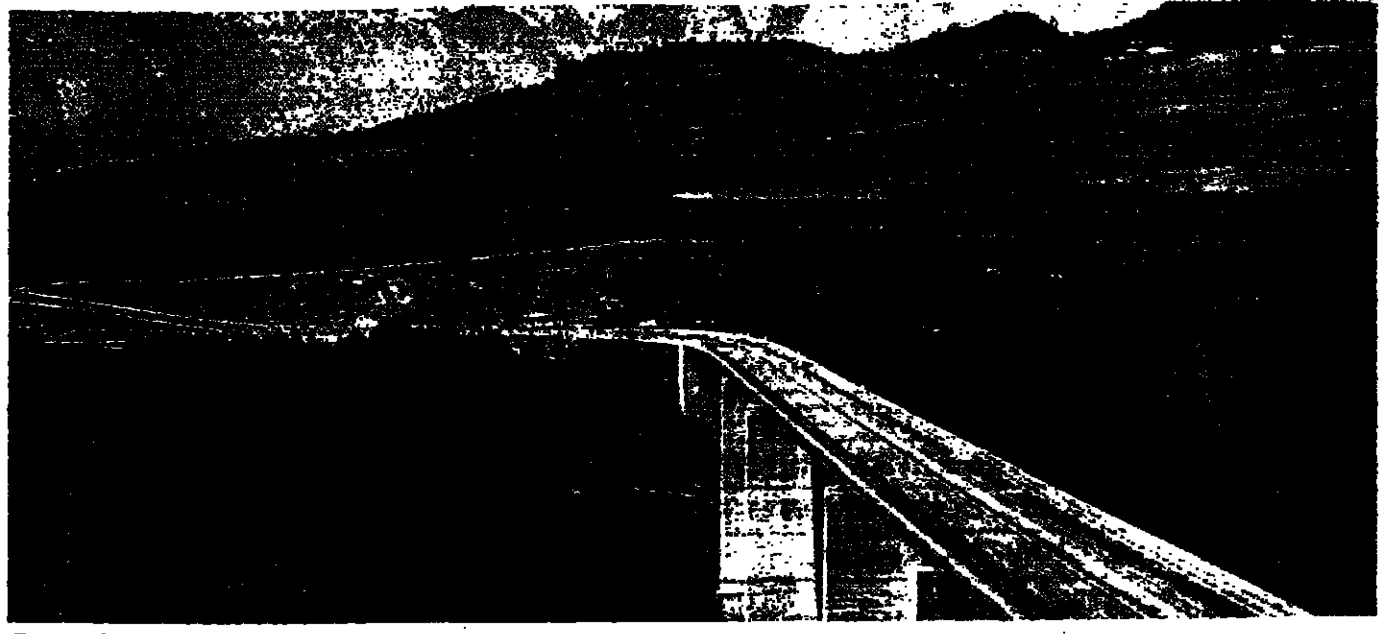
Concern is increasing about the effect that exclusion from Europe's internal market will have on the economy



Above: Barges on the River Danube in Lower Austria, still an important trading route, and (right) the Europa Bridge, leading to the Brenner Pass

Forging much closer links with the EC

EVER SINCE it regained its independence in 1955 and declared itself a neutral state, Austria has been trying hard to give the impression that its Eastern relations counted almost as much as its Western ones.

That, after all, was the country's historical role in the Austro-Hungarian empire, a natural reflection of its geographical location in the centre of Europe and the consequence of ten years of occupation by the four Second World War allies, including the Russians.

Yet no one has ever been in any doubt that in most respects, including its democratic institutions and post-war political attitudes, Austria is firmly anchored on the western side of what used to be known in pre-Gorbachev times as "the Iron Curtain."

Even if that had not been Austria's natural inclination, its close economic and commercial links with Western Europe, not least West Germany, to whose currency the Austrian schilling is firmly tied, would have been there to remind Vienna where its real interests lay.

The main reason for the recent intensification of Austria's efforts to forge closer links with the European Community can be found in the trade figures and the Government's and industry's mounting concern about the effect that exclusion from the Community's internal market, due to be completed in 1992, could have on the Austrian economy.

According to the latest official statistics, more than 63 per cent of all Austrian exports went to EC countries in 1987, compared with 56 per cent only two years previously, while 68 per cent of imports came from the EC, compared with 62 per cent in 1985.

At the same time Austria's exports to the East European states and the Opec countries have been decreasing, making it even more reliant on Western Europe than it already was.

The fact that as much as two-thirds of Austria's trade is now with the EC can be put down, in part at least, to the agreement concluded in 1972 by the Community with the European Free Trade Association (Efta), of which Austria is a member, at the time of the first enlargement of the EC.

The abolition of customs duties on manufactured goods between the members of the two areas has given Austria most of the trading benefits within the Community that the EC members themselves have – that is, up to now.

The fear in Vienna and other Efta capitals is that, once all the other non-tariff obstacles to trade are eliminated within the EC, non-members will be at a definite disadvantage unless steps are taken to associate them fully with the Community's internal market.

A study which has just been made on behalf of the Institute for Applied Social and Economic Research by the economists Fritz Breuss and Jan Stankovsky estimates that participation in the internal market could increase Austria's market share in the EC by 1.5 per cent, while non-participation could result in a loss of the same order.

Austrian exports to the EC could be expected to rise by about 15 per cent by the year 2,000 as the result of participation and, while imports would also rise, the trade deficit with the EC in the year 2000, at Sch 89bn, would still be much less than the Sch 110bn projected in the event of non-participation.

The new coalition government has thus made adhesion to the EC's internal market one of the main planks of its foreign and economic policy and has left open the option of an application for full Community membership in case the efforts to take part in the internal market do not bear fruit.

The distinction between the two types of EC participation is not clearly perceived by the general public and, sometimes, not even by the politicians, leading to a confused public debate which tends to obscure the immense difficulties of negotiating a wider internal market before it has even been created by the EC.

It is one thing for the EC and Efta to adopt a joint declaration on creating a common market of 350m consumers in which the free movement of goods, people, services and capital would be assured, as they did in Luxembourg in 1984.

It is quite another to adapt the legislation of six Efta countries, or even Austria alone, to hundreds of regulations covering technical norms, fiscal harmonisation, rights of establishment, cross-border transport and professional and academic qualifications, to name but a few of the relevant areas.

The Austrian authorities, it should be said, have approached the whole problem with considerable prudence. In spite of all the calls, mainly from People's Party politicians and industrialists, for full membership negotiations, Mr Franz Vranitzky, the Socialist Chancellor, is thinking mainly in terms of exploratory talks with Brussels in the first instance.

The aim is to find out in detail what the process of adaptation to the EC internal market would entail for Austria.

Alois Mock: may seek clarification

The Government has adopted a three-pronged strategy, consisting of multilateral talks between Efta and the EC in areas where Efta is able to adopt a co-ordinated stand; bilateral talks between Austria and the EC on problems where the Efta countries have differing interests and aims, such as agriculture and transit traffic; and unilateral harmonisation of Austrian laws and regulations with those of the EC.

The seriousness with which the whole subject is being treated is reflected in the recent creation of a special "Working Group for European Integration," divided into 13 sub-committees, in which representatives from various Ministries, the Laender and industrial and labour organisations compare Austrian and EC legislation and make proposals on how Austrian regulations can be adapted to the EC.

The often-mentioned question of the compatibility of Austria's membership of, or participation in the EC, with the Austrian State Treaty and Austrian neutrality is not considered in Vienna to be a major problem.

Contrary to popular belief, the Austrian State Treaty of 1955, under which Austria regained its independence, says nothing about neutrality, though it does prohibit a political or economic union (Anschluss) with Germany.

According to constitutional lawyers, the fact that West Germany is a member of a wider international organisation gives it the legal status of *pars inter pares*. Austria's adhesion to such an organisation could not, therefore, be interpreted in international law as a union between two states.

Officials are fond of invoking the case of Ireland, whose neutrality did not prevent it either from adhering to the EC or the Single European Act.

However, in the last resort it is not so much the applicant's perception of where the obstacles lie as that of other interested parties, which really matters. The fact is that, in the 1960s, Austria rejected the idea of membership of the EC because of the still-prevailing Community objective of supra-nationality – promoted, at least, by the European Commission, if not by Gen. de Gaulle, the French President.

Apart from the Austrian Government's own ideas on the subject, it was widely assumed that Moscow would object to Austrian membership in such circumstances.

Today, when supra-nationality is no longer in fashion, important issues are still subject to unanimous decisions and the Soviet bloc itself is making overtures to the EC with a view to closer relations, the signals from Moscow have become more non-committal.

While the Soviet Ambassador to Vienna has made some negative noises about Austrian participation in the EC, a recent distinguished visitor to the Austrian capital, Mr N.I. Ryzhkov, Chairman of the Soviet Council of Ministers, is said to have given the yellow, if not the green light to the enterprise in talks with Austrian leaders.

But then it is early days yet. Moscow may well consider that it will take so long to overcome the practical difficulties of Austrian adaptation to the EC that it does not need to take a stand at this point.

In spite of his firm assertion that the interpretation of Austrian neutrality is purely Austria's business, Dr Alois Mock, the Austrian Foreign Minister, may well want to seek clarification of the Soviet attitude when he visits Moscow this summer.

Robert Mauthner

Facing the big issues

Continued from page 1

try's last chance of recovering the international standing and self-confidence which it lost as the result of two world wars.

Most politicians and industrialists are unwilling to contemplate the alternatives which Austria would have to face if its attempt to participate in the EC proves unsuccessful.

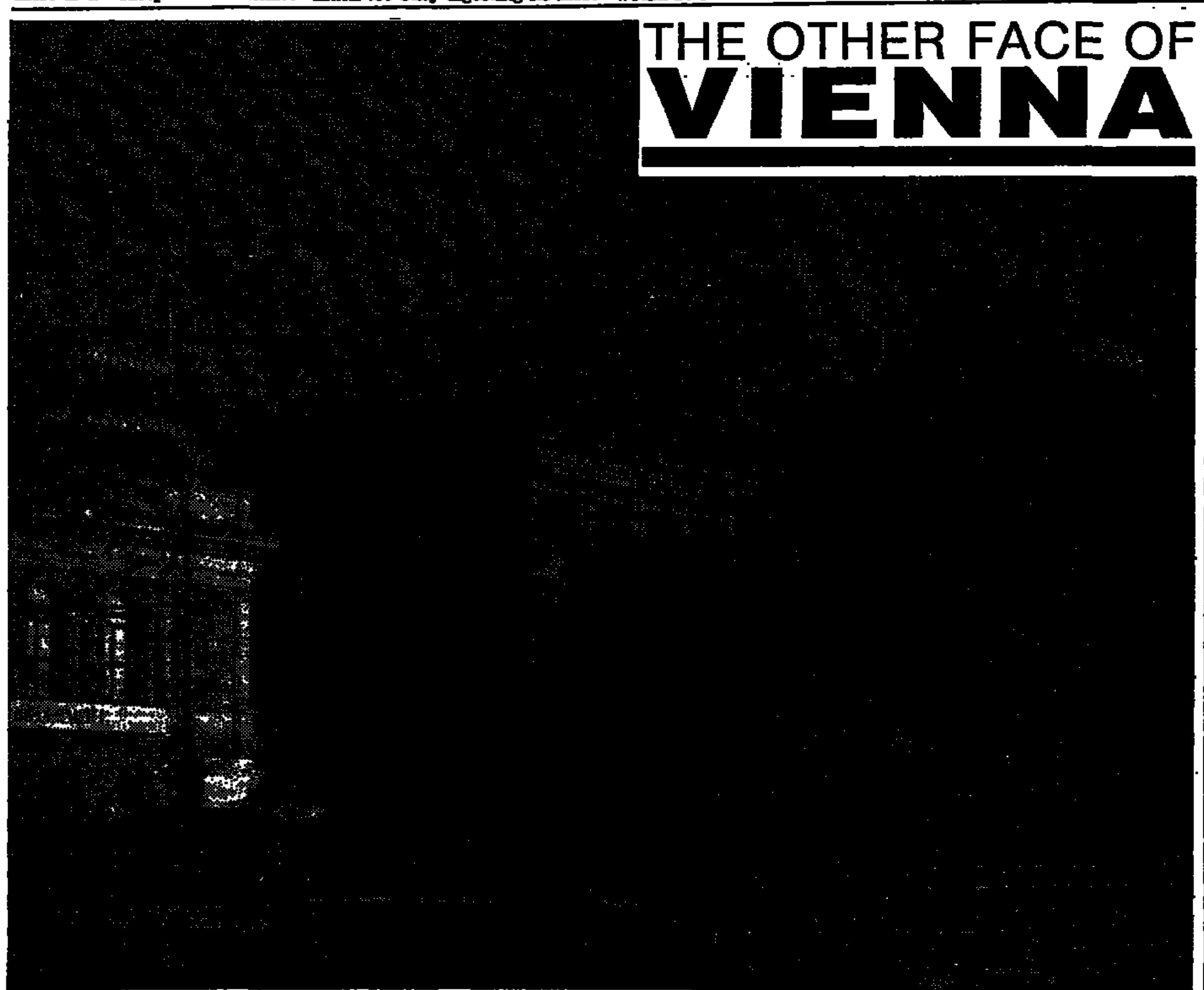
While the advantages of adhering to the Community's internal market tend to be over-emphasised – Austria, after all, has done very well out of a simple free trade area with the EC – there is a widespread reluctance to come to terms with the reservations currently being expressed in Brussels about Austria's European ambitions.

Warnings from Mr Willy de Clercq, the European Commissioner for Trade, that there is a difference between a wider European trading zone and the Community's internal market and that only EC members can fully participate in the latter, appear to be studiously ignored in Vienna.

So, too, are the repeated statements by European political leaders that the Community is still much too busy digesting its most recent members, such as Spain and Portugal, not to say Greece, for it to contemplate opening its doors to new applicants for either full membership or adherence to the internal market.

For a battered coalition, European unity has become an issue in which domestic woes can be submerged, but wishful thinking is still a big element in the European projects which are currently being cooked up in Vienna.

Austria's more realistic officials have begun to realise that a little more contingency planning would be in order.



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Future economic prosperity depends on reform

The miracle fades

IS THE AUSTRIAN economic miracle coming to an end? That is a question which, though not new, is being asked with growing concern by observers both inside and outside Austria.

The least that can be said is that, after an unprecedented period of economic prosperity lasting some 15 years, the economy is now at a turning point; its future prospects will depend very much on the new coalition's determination to push through a radical economic reform programme.

Thanks to Austria's unique system of economic management, consisting of an impressive social partnership, a dynamic fiscal policy and a so-called "hard currency option," which has tied the schilling closely to the D-Mark, the country has enjoyed a higher rate of growth, lower inflation and lower unemployment than most other Western countries in the 1970s and 1980s.

Indeed, Austria has often been held up as a shining example for other industrialised countries to follow – though its special mix of social attitudes and economic policies might be hard to reproduce in larger industrial societies with a different history of industrial relations and more complicated trading patterns.

The fact is that the success of Austria's anti-cyclical policies in keeping the country on a steady course, whatever the external or domestic demand and supply pressures, has obscured some very fundamental structural defects in the economy.

The chickens have now come home to roost and it has become clear, over the past two years, that the cost of preserving, at one and the same time, a large and inefficient state industrial sector, a comprehensive welfare system and jobs, almost at any price, has become prohibitive.

The recovery of the economy following the oil price-induced recession at the beginning of this decade was too weak to enable the traditional anti-cyclical fiscal policies to be sustained indefinitely.

While the growth of real GDP declined from an annual rate of 6 per cent in 1968-73 to 3 per cent in 1973-79 and 1.75 per cent in 1979-86, falling finally to 1 per cent last year (OECD figures), the budget deficit has increased to about 5 per cent of GDP over the last few years.

As a result, debt repayments have been rising by leaps and bounds to more than Sch75bn in 1986 from only Sch9bn in 1973, while the total debt/GDP ratio has more than quadrupled during the same period to 43 per cent.

It progressively became clear that both Austria's hard currency policy and the Government's capacity to use fiscal policy as a flexible macro-economic policy instrument would be threatened in the longer run, failing remedial action. Official projections painted an alarming picture of a continuing deterioration in the financial situation.

According to these projections, the federal budget deficit would increase progressively from 5 to 9 per cent of GDP by 1992, the debt/GDP ratio would grow to 70 per cent and debt servicing would absorb more than a quarter of government revenues.

The coalition government, to its credit, has fully recognised the danger signals. While not jettisoning the basic elements of traditional economic management policies, it has acknowledged the need for fiscal restraint.

The aim is to reduce the federal budget deficit progressively from its present level of 5 per cent of GDP to 2.5 per cent by 1992. This, it is calculated, would lead to a stabilisation of the debt/GDP ratio at about 50 per cent, compared with a projected 70 per cent in 1992.

Bringing down the budget deficit, particularly since it has been decided to achieve this by cutting public sector spending rather than by increasing taxation, has already proved to be a painful business.

The federal budget for 1988, projected at about Sch70bn, or 4.5 per cent of GDP, foresees a number of measures which a Socialist party and labour organisations, accustomed to look upon the state as a munificent parent, have found difficult to approve.

The measures include a reduction in recruitment for the civil service, delays in the wage round for government employees, postponement of the adjustment of pensions, the introduction of fees for some social services, the reduction or abolition of certain family allowances and no increases in farm subsidies.

Last, but by no means least, the 1987 financial support package for nationalised industries will not be renewed this year, though past commitments will be honoured and will continue to weigh on the budget for some years to come.

The difficulty of restraining public spending over a long period because many items of expenditure are virtually automatic, is amply borne out by the case of Austria, where as much as 80 per cent of all government expenditure falls into this category. In practice, this means that spending cuts tend to be made in areas of relatively low political priority and, therefore, least resistance.

However, the OECD has stressed in its latest report on the Austrian economy that the only way to come to grips with the budget deficit problem is to concentrate cuts in the three areas of heaviest public spending: the government wage bill, subsidies to the state and private business sector and pensions and transfers.

Particularly urgent is the need to tackle the vast panoply of subsidies benefiting not only the nationalised industries and agriculture, but housing and private industry.

By 1984, which is the last year for which authoritative government figures on the subject are available, subsidies to industry and business amounted to more than 6 per cent of all government expenditure, or 2 per cent of GDP.

The restructuring of the nationalised industries should lead to a substantial reduction of this burden, but it is noteworthy that old subsidies are already being complemented by a whole catalogue of fresh subsidies for the promotion of new technologies and environmental protection schemes.

The financial picture is no more encouraging in the social security field, where federal government transfers to the compulsory pension insurance system have increased rapidly over the last few years to compensate for the growing deficit of the pension insurance fund.

Last year, the government contribution to total pension benefits exceeded 30 per cent and reached 27 per cent of total federal government transfers. It is not yet clear whether the scheduled reform of the pension system, to be implemented gradually between 1988 and 1992, will do more than scratch the surface of a problem which has also become a serious threat to the nation's financial stability.

These are all issues which the Government has started to tackle with considerable political courage and with the aim of putting Austria back on a strong growth path in the next decade. However, the short and medium-term prospects for the economy are less than rosy.

Though inflation should remain low at around 2 per cent or slightly less in 1988 and 1989, and the current account is expected to remain in broad balance over the two-year period, the economy will not be helped by either foreign or domestic demand, which is expected to remain sluggish.

As a result, real GDP growth is forecast both by domestic and international research institutes to remain at about 1 per cent in 1988 and 1989, as it did last year, and thus put Austria in an unaccustomed place near the bottom of the industrialised countries' growth table.

Robert Mauthner

The Federal Budget

Administrative basis

	1985	1986	1987	1988	1986/1985	1987/1986	1988/1987
	Outturn		Voted		Outturn	Voted	
	Billion schilling				Percentage changes		
Revenue							
Taxes	266.3	278.8	283.4	311.5	4.7	1.4	10.1
Income from federal enterprises	66.1	70.9	73.1	77.5	7.3	0.8	6.0
Other	37.4	34.9	33.1	52.0	−6.7	3.1	57.1
Total revenue	372.9	391.7	398.8	448.5	5.0	2.6	12.0
Expenditure							
Wages and salaries	102.9	110.2	114.0	113.4	7.1	5.3	−0.5
Gross investment	35.0	36.3	33.8	32.6	3.7	−11.1	−3.6
Investment promotion	9.6	10.4	10.1	26.6	8.3	−2.9	163.4
Price subsidies and transfers	144.0	152.2	165.9	173.1	5.7	9.4	4.3
Other	133.0	148.9	149.5	171.1	12.0	1.4	14.4
Total expenditure	433.0	464.8	473.4	517.6	7.3	3.5	9.3
Net budget balance	−60.1	−73.1	−74.6	−71.1			
Per cent of GDP	(−4.4)	(−5.1)	(−5.0)	(−4.6)			
Redemption of debt	31.7	33.6	36.5	41.3			
Gross budget balance	91.8	106.7	111.1	−112.2			
Per cent of GDP	(−6.7)	(−7.4)	(−7.4)	(−7.3)			

Source: Ministry of Finance, *Bundesfinanzgesetz 1987 and Bundesvoranschlag 1988.*

Demand and output*

	1984	1985	1986	1987
Private consumption	−0.3	2.2	1.5	2.0
Government consumption	0.6	2.3	2.2	1.5
Gross fixed investment	2.4	5.2	3.9	2.0
Construction	0.7	1.2	4.0	1.7
Machinery and equipment	4.4	9.9	3.7	2.3
Final domestic demand	0.5	2.9	2.2	1.9
Stockbuilding	2.0	0.0	1.1	−0.1
Total domestic demand	2.5	2.8	3.3	1.8
Exports of goods and services	6.6	6.9	−2.3	0.8
Imports of goods and services	9.9	6.9	1.3	2.7
Foreign balance	−1.1	0.1	−1.6	−0.8
GDP	1.4	2.8	1.7	1.0
Memorandum items:				
Consumption deflator	5.8	3.5	1.9	2.0
GDP deflator	5.9	3.0	4.0	3.4
Industrial production	5.2	4.6	1.3	1.0
Productivity	−1.0	2.8	0.3	0.9

*Constant 1976 prices, percentage changes
Sources: Österreichisches Statistisches Zentralamt, Österreichs Volkseinkommen, and OECD Secretariat estimates.

Privatisation

Cautious compromise

THE DECISION to partially sell off two of the country's most successful and well-known companies in 1988 will seal the Austrian Government's commitment to privatisation.

The agreement to make privatisation a plank of the Government's programme was made last summer. But since the Government is a Socialist-led coalition sharing power with the Conservative People's Party (Oevp), the final outcome of the policy on privatisation amounted inevitably to a compromise.

It was agreed that for the forseeable future at least, the Government would retain a 51 per cent stake in any of the state-run companies singled out for privatisation. The remaining 49 per cent would be sold, in stages, to the public.

The compromise neatly combines ideology, pragmatism and the increasing need to expand the equity markets.

The Oevp had been ideologically committed to the idea of privatisation for some time, although on the question of expanding the securities market it still remains deeply divided on how much the interest earned on savings accounts and bonds should be taxed to attract investors away from low-risk savings accounts to the capital markets.

For its part, the Socialist Party, spurred on by Mr Franz Vranitzky, the Chancellor, has adopted a more pragmatic outlook principally out of necessity: the Government is saddled with a budget deficit of nearly Sch70bn which it is determined to reduce.

As a result, one of the more pressing reasons for privatisation has become the need to generate cash to help fill the coffers for next year's budget.

Top of the privatisation list is Austrian Airlines. Until now, the Republic of Austria has held a 99.2 per cent share in the national airline, whose nominal share capital is worth about Sch1.8bn.

If things go according to plan, 24.2 per cent, or share capital worth a nominal Sch430m, will be sold to the public between May 24 and June 1. A total of 430,000 shares will be offered at a nominal price of Sch1,000. each; the issue price will be announced on May 16.

The banks which are handling the sale along with financial analysts at Austrian Airlines are fairly optimistic about the flotation. October 19's "Black Monday" has not upset them unduly, largely because Austrian Airlines is both well-known and profitable.

Less than $1m-worth of advertising is planned in the run-up to the launch. "There's little to say since every Austrian knows who we are," says a financial analyst at Austrian Airlines.

In 1986, turnover amounted to Sch5.9bn, and profits – after taking into account reserves and investments – totalled Sch107m. The figures for 1987 have not yet been published, but turnover is expected to be about 9 per cent higher. The 16 per cent increase in passengers could push up the net profits too. Cash flow increased by 25 per cent to Sch1.5bn in 1987.

The question is what the Government will do with the money. The proceeds from the sale will go to finance the budget deficit. That partly explains why the first tranche will be earmarked specifically for the Austrian domestic market.

If Austrian Airlines launches a second tranche next year, depending on the markets, it will be listed on foreign exchanges and the airline itself will retain the proceeds for investing in new aircraft and other longer-term investments.

The proposal to privatise the Oesterreichische Elektrizitaetswirtschafts ag or Verbundgesellschaft, the state-run electricity industry, is a far more complicated business.

The role of the Verbundgesellschaft is to oversee, maintain reserves, and manage the entire electricity supply network, as well as operate the transmission network. However, under legislation passed in 1947, the nine Austrian laender or provinces were each given responsibility to provide the general electricity supply for the individual federal provinces.

Under present plans, the idea is to sell off, probably in November, 49 per cent of the Verbundgesellschaft, whose total nominal share capital is worth Sch3.75bn. The 49 per cent of the group, worth a nominal value of over Sch1.5bn, will be sold off in two parts with the nine provinces being given a first option on 33.3 per cent while the remaining 15.6 per cent will be offered to the public.

Mr Walter Fremuth, chairman of the Verbundgesellschaft, is not so sure how the provinces will react to the sale. "I cannot say if they will completely buy up what is offered to them."

Mr Peter Zelnik, an analyst from Girozentrale Bank, one of the lead banks managing the privatisation, agrees. "We have no feeling as to how they will react. We will have to see. And if they do not buy all the shares, then probably the rest will be offered to the public."

Public awareness of the Verbundgesellschaft is already high, thanks to the fact that it is a successful utilities company. Turnover for 1986 totalled Sch14bn and rose to Sch15bn in 1987. Cashflow is expected to increase to Sch1.5bn in 1987 compared to Sch1.35bn in 1986.

Net profits (published on the basis of calculating losses after taxes) show considerable improvements for 1987, with profits reaching Sch2.2bn compared to losses of over Sch2bn in 1985 and Sch2.1bn in 1986. Over the past three years, annual reserves have totalled about Sch2.3bn.

Although the details have yet to be finalised, there are plans to list the Verbundgesellschaft not only on the Vienna stock exchange but also on the Frankfurt, Zurich, London and New York exchanges. No one is certain how much the sale will bring to the Government.

Analysts at Girozentrale reckon the proceeds will be allocated to a special research and development fund which was set up last year to assist enterprises in their technological and modernisation programmes.

But the partial privatisation of Austrian Airlines and the Verbundgesellschaft go far beyond financing the budget deficit and providing funds for research and development.

There is a genuine hope that if the issue prices are judiciously pitched, it could mean a psychological boost for the equity and securities markets which have long been neglected.

This was one of the hopes last year when, in the first major privatisation since the Second World War, 15 per cent of Oemv, the state-run petrochemical group, with great fanfare was sold the public. However, the timing, just a few weeks after Black Monday, did little to encourage brisk buying and selling.

Judy Dempsey

At the end of 1987, the Supervisory Board of the VOEST-ALPINE gave its approval to a Board of Management concept for the further development of the company's structural organization.

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- VOEST-ALPINE MASCHINENBAU Ges.m.b.H.

The companies have their headquarters in Linz and with their new status assume responsibility for all previous rights and obligations of the VOEST-ALPINE.

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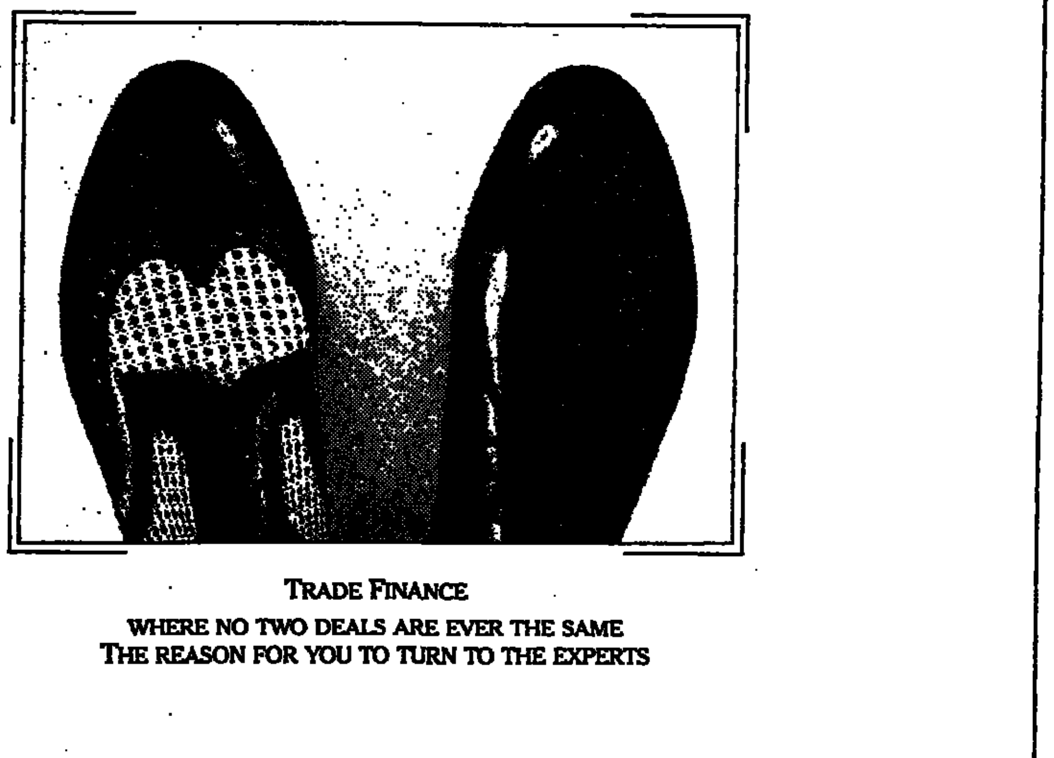

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A lack of direction is unsettling the country's grand coalition

A painful search for identity by the two main parties

AUSTRIA'S two main political parties, the Socialist Party (Spoe) and the Conservative People's Party (Oevp) are undergoing a painful re-think on strategy and ideology in order to respond to the social and economic changes taking place in Austrian society

Although both parties form the "grand" coalition government, several Austrian politicians say that this kind of coalition, which ruled Austria between 1947 and 1966, has outgrown its original intentions.

The aim of the grand coalition was to provide consensus, crucial in re-building a shattered economy. This *sozialpartnershaft* also prevented the open articulation of conflict which had wrecked Austria's fledgling democracy in the inter-war period.

During that time, the Reds (Socialists) and the Blacks, (Christian Social Party, the Oevp's predecessor) resorted to a bloody civil war to gain control of the political agenda. In the event, Austria's democratic institutions were destroyed.

Today, there is no doubt that the country's democratic institutions function. However, over the years, consensus politics has inhibited the strengthening of those independent institutions as the state exercised considerable power over people's lives.

One of the ways in which the state stifled the institutions was through the *parteibuch* or party membership system in which promotion usually depended on the political party to which one belonged. This explains why party membership is one of the highest in Europe: the Spoe has 800,000 members, the Oevp 500,000 out of a population of more than 7m.

The *parteibuch* was a passport to promotion which guaranteed political loyalty. However, the process blurred the ideological profile of both parties.

Such is the background to contemporary Austrian politics, which the Socialists, under Mr Franz Vranitzky, the Chancellor, is no longer content to perpetuate. Expediency and pragmatism has forced him to change the Spoe's outlook.

As a banker, he saw the dire financial situation within the state-run sector which was over-subsidised, over-manned, where political loyalty took precedence over promoting talent.

Mr Vranitzky is slowly eroding the *proporz* system which required that the composition of the supervisory boards in state-run institutions were divided equally between reds and blacks. This system facilited corruption and suppressed the maturing of a political culture.

Mr Vranitzky cites the case of housing policy in Vienna, a traditional Socialist stronghold. It used to be assumed that those who joined the party could, without difficulty, get an apartment.

"But we are not a real estate agency," Mr Vranitzky says, adding that it was time to think about the broader meaning of Austrian politics which must go beyond paternalism and favours.

Meanwhile, ideology struggles for a voice in the Spoe. Politicians including Mr Ferdinand Lacina, the Finance Minister, and Mr Karl Blecha, the Interior Minister, were very much to the left of the party, espousing the merits of a massive social welfare system and a strong state.

Mr Lacina's views have since mellowed, placing pragmatism and modernity (including privatisation) above socialist ideology.

Indeed, the Spoe is now often nicknamed the party of capitalism, a term which had little place among the left of the Spoe. Circumstances have forced it to become more technocratic in attitude, and, in line with other socialist parties in Europe, more flexible and pragmatic.

Mr Vranitzky has been able to push through such pragmatism because the Spoe is a highly-centralised organisation. However, over the past two decades that advantage was abused and under-used.

For instance, the party organisation in Burgenland, which was run on the basis of a corrupt and personal fiefdom under Mr Teodor Kery, was never checked by the top echelons of the party. Dissenting voices, such as Mr Gunther Nenning, the ecologist who was expelled from the Spoe in late 1986, were not tolerated.

This is slowly changing. Mr Vranitzky's decision to give the green light to Mr Egmont Foregger, the independent Justice Minister, to open proceedings against many people involved in huge corruption scandals - and who happen to be socialist - suggests a clean-up in the party is in train.

The Oevp, led since 1979 by Mr Alois Mock, the Foreign Minister and Vice-chancellor, has so far been spared scandals but has not been spared of indecision, weak leadership and a party which is deeply frustrated about being out of power since 1970.

One of the main problems dogging the Oevp is its support. During the 1960s, small farmers and entrepreneurs who supported the Oevp moved into large industry. But instead of remaining Oevp voters, switched over to the Spoe.

The loss meant that the Oevp remained, in the words of Mr Josef Taus, the party's former general secretary, "a party of kleine burger" - a petty bourgeois party.

The weakening political clout of the intellectuals has also contributed to the party's lack of direction. A member of the wirtschaftsbund, the Oevp's liberal-minded economics think-tank, says that the liberal/intellectual wing "feels marginalised. The top leadership of the party is not interested in giving us a genuine platform."

The recent sacking of Mr Johannes Ditz, a member of the wirtschaftsbund and one of the main advisors to the Finance Ministry, is indicative of this trend.

Mr Ditz was sacked by Mr Mock on the grounds of "disloyalty." In reality, his "mistake" was that he supported a 20 per cent withholding tax on savings which up until now have remained untaxed.

Mr Mock vehemently opposed the tax because he had his eye on the elections in October in Niederoesterreich, which makes up half the Oevp's membership.

"He was obsessed with 'saving the people's savings'" a senior Oevp official says. "Like his unremitting support for Waldheim, the Oevp will pay heavily for this loyalty. Many supporters will abstain at the next election if we do not have clear policies."

The curious thing is that few people in the Oevp have real authority. Mr Erhard Busek, the former vice-mayor of Vienna, tried to be authoritative but had little support from within the party. Further, few Oevp officials have had the courage to publicly condemn the blatant anti-semitic remarks by Mr Karl Hoedl, and Mr Michael Graff, let alone call for their resignation. "Our silence reflected our lack of unity and direction," says one senior Oevp offical.

Here lies the dilemma. No one voice or group within the Oevp is strong enough to formulate a coherent programme. The party is too decentralised for decisions to stick.

The landeshauptmann, the governors of the nine provinces, of which six are held by the the Oevp, wield considerable power and fight to protect what one Oevp official described as "their fiefdoms."

For them, Vienna remains remote. The cartel verband, an old boys' Catholic network, to which Mr Mock and his senior advisors belong, also seems more concerned with personal loyalty than with genuine open discussion.

This lack of direction and often narrow-minded outlook has put Mr Joerg Haider, leader of the right-wing Freedom Party (Fpoe), back into the picture. The Oevp might consider a coalition with the Fpoe in a new government. However, the polls indicate an absolute majority for the Spoe.

Mr Haider is not ignoring the tensions within and between both parties. Regarded equally as populist and an opportunist, he taps certain sentiments in the electorate. He appears to be the champion of a "new morality"; in essence, many intellectuals distrust his brand of liberalism, which they say is heavily tainted by nationalism.

Nevertheless, Mr Haider is a force to be reckoned with. Having been in the Spoe-led coalition in 1983-1986 which was dissolved by Mr Vranitzky who found power-sharing with Haider ideologically and morally impossible, the Fpoe still regards itself as a possible broker with the Oevp.

The greens, under Mrs Frieda Meissner-Blau, could be brokers too but their political inexperience and internal squabbling makes this unlikely unless, as one green parliamentary deputy put it, "we can pull this party together."

These various political constellations suggest that for the moment, the grand coalition will hang together. They may not get along. Mr Mock may well feel overshadowed by Mr Vranitzky as the Spoe captures the middle ground. but that is the price to pay for consensus politics.

Judy Dempsey

Franz Vranitzky: turning attention to other subjects

Austria's Chancellor is looking carefully at his priorities

A solid government despite the Waldheim affair

MR FRANZ VRANITZKY, Austria's Socialist Chancellor, is clearly reluctant to talk too much about the Waldheim affair, which has taken up so much of his time during the past few months.

"Yes," he had considered, at one stage, resigning as a result of the split in the coalition government and, indeed, his own party, over President Waldheim's stubborn refusal to resign after an international commission of historians had found that the Head of State had lied about his war-time activities.

"No", he is no longer thinking of resigning, or breaking up the coalition. In spite of everything, it is still "a solid government" and there has been "no fundamental change between the time it was formed in January 1987 and after the Waldheim affair," he says.

At this point, however, a typical note of caution creeps into the former banker's remarks.

"It's hard to forecast how things will develop. I have to try my best to focus attention on other subjects, not by declaring the end of the debate, but by pragmatically turning to the next item of our political tasks."

The Chancellor leaves no doubt, in an interview, that very high on his list of priorities is Austria's future relationship with the European Community. He stresses that the participation of Austria in the European Community's internal market, due to be completed in 1992, is essential because external economic relations can no longer be defined just in terms of trade.

"We have to bear in mind services, direct investment, international cross-border traffic, technology and know-how transfers. From that point of view, we have to be clear that direct investment by, say a Japanese company or a multinational company, very much depends on being able to refer to EC regulations.

"Whenever Sony, or a similar company, comes here, one of the first questions is, not what kind of subsidies will be given to them, but what are the regulations concerning Common Market standards."

The participation of Austria in the European Community's internal market is essential

Austria is also very anxious not to be left on the sidelines of European technological and research developments, Mr Vranitsky says. "We are a small country with a strong intellectual potential, but not a very strong potential for doing research in the industrial field." It was also an important transit point for international goods and tourist traffic.

He also underlines his conviction that Europe must not stop at the eastern borders of Austria. "European integration, within a period of time which cannot be defined today, will have to take notice of the East European countries."

In that context, the Chancellor stresses that Austria has served tradionally as a bridge or platform between East and West.

"What I am trying to explain is that you have to be acknowledged as an important member of the next developments towards European integration, if you want to serve as a bridge. If you are not interesting enough, you will not be used in this capacity."

Though the Government had left open the option of applying for full membership, that was not the immediate priority. The next step was to hold fact-finding, exploratory talks with the European Commission to obtain as much information as possible with a view to restructuring the Austrian economy and preparing it for participation in the EC's internal market.

"I do not want to actually apply for full membership without having that kind of necessary information."

Mr Vranitzky discounts possible Soviet opposition to closer ties between Austria and the EC on the grounds that such a partnership might violate the Austrian State Treaty of 1955 or the country's status of neutrality, enshrined in an Austrian law adopted at the same time.

As long as neutrality was not violated - and that was Austria's firm intention - Moscow had made it clear that there would be no objections. While unwilling to toll the death knell of Austria's much-vaunted "consensus" politics, Mr Vranitzky recognises that the time has come for a modification of some of the seamier practices which the absence of political confrontation had spawned.

"Take the case of Vienna, traditionally controlled by the Socialist Party (SPOE). It was clear that whenever you needed an apartment, you turned to the party, if you were an SPOE member. I said: 'Let us not continue this. This is a political party, not an estate agency.'

"In 1985, we changed the Proporz, a law under which nationalised companies had to have an equal number of Reds (socialists) and Blacks (conservatives) on their supervisory boards."

Mr Vranitzky, though strongly in favour of business efficiency and the restructuring of nationalised industry, remains shy of the concept of "privatisation."

"It will be a long time before our party is reconciled to privatisation. But I belong to those who do not believe very much in ideological criteria for dealing with ownership.

"I really believe that we will arrive at the point where the question of who the owners of an enterprise are will not be so important, as long as the particular ownership does not hinder it from being competitive."

Judy Dempsey, Robert Mauthner

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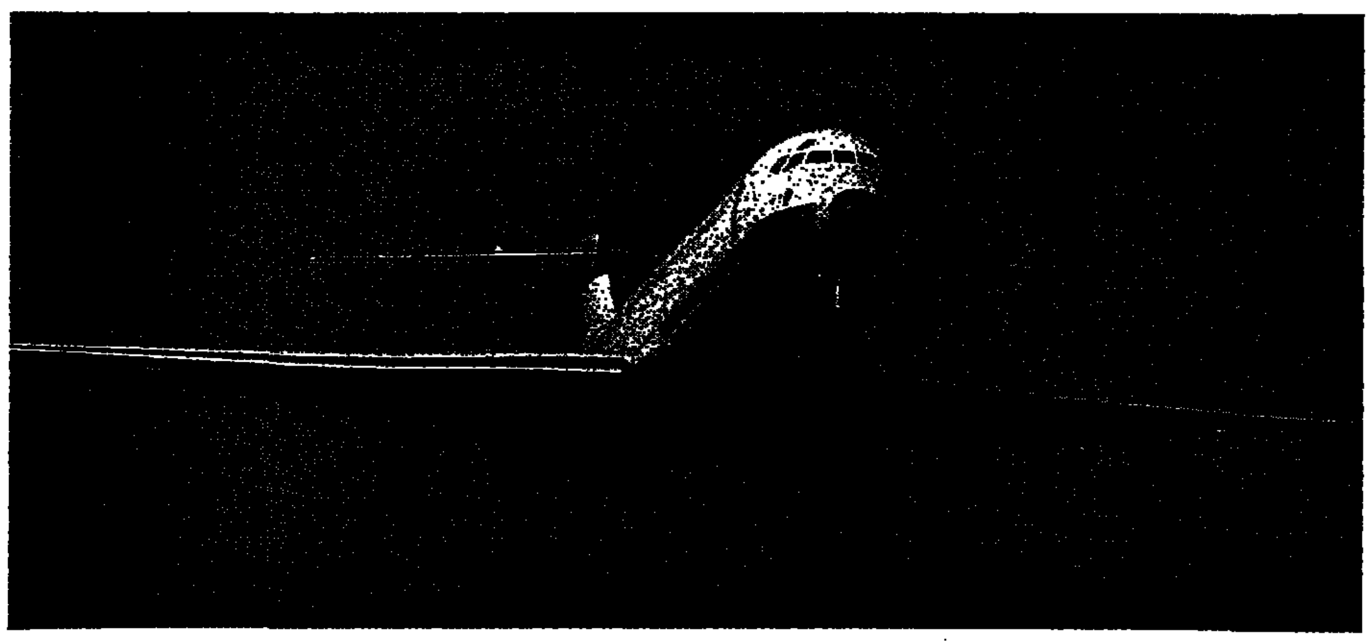

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Challenges lie ahead which could affect running costs and the level of savings

Bank results improve

FOR MOST of Austria's banks, 1987 will be the year which saw improved results all round, and clear indications that they are on the way to recovery after the poor performances of the early 1980s. However, bankers expect more modest results in 1988.

Two factors helped to boost balance sheets last year. One was the 1986 amendment to the banking law of 1979 which, besides tightening the capital requirements, allowed banks for the first time to raise capital through the issue of participation certificates, more akin to risk-bearing, non-voting shares, as well as through supplementary capital funds.

A number of banks took advantage of these changes. Girozentrale, the Laenderbank, Bank fur Arbeit und Wirtschaft (BAWAG) and the First Austrian Bank among others, all issued participation shares.

Girozentrale paid out a 10 per cent dividend while the other three banks paid out a 12 per cent dividend.

Creditanstalt, Austria's largest bank, raised two tranches of supplementary capital on the domestic market worth a total nominal value of Sch1.2bn. It too paid out a 12 per cent dividend on its share capital.

The amended banking legislation also resulted in a gradual expansion of the banks' capital bases and, more importantly, a marked improvement of capital ratios. Essentially, the 1986 law compelled the banks to raise capital-to-asset ratios to 4 per cent by 1991 and to 4.5 per cent by 1996.

Austrian banks have had the lowest profit margins among the members of the Organisation for Economic Cooperation and Development(OECD). This is because, in the push for growth during the late 1970s and early 1980s, operating costs shot up while capital ratios were generally neglected.

By 1983, the capital bases of the Austrian banks had fallen to about 2.5 per cent from around 3.8 per cent in 1973. But the banks' 1987 results indicate much-improved capital ratios overall.

Creditanstalt, for instance, improved its capital liability ratio by 0.5 per cent to 3.59 per cent in 1987, while Girozentrale's ratio increased from 3.1 per cent in 1986 to 3.5 per cent in 1987.

SAVINGS DEPOSITS (Sch m)

	1987	1986
Creditanstalt	44,177.5	41,746.6
Girozentrale	659.7	630.9
Länderbank	33.9	32.19
Zentralsparkasse	75.5	70.72
Bawag	40,178.4	36,276.8

TOTAL LIABLE CAPITAL (Millions of Schillings)

	1987	1986
Creditanstalt	18,815	14,877
Girozentrale	8,742	7,708
Länderbank	7,688	6,739
Zentralsparkasse	7,691	5,956
Bawag	1,426	1,425

Laenderbank, which concentrated during 1987 on building up its capital ratio, achieved a dramatic rise from 1.3 per cent to 3.6 per cent, and Zentralsparkasse und Kommerzialbank increased its ratio from 3 per cent in 1986 to 3.6 per cent in 1987.

The second factor which almost certainly boosted profits was the unusually large savings ratio. In 1987, 13 per cent of disposable income was deposited in savings accounts, about 3 per cent up on 1986 and one of the highest ratios since the 1960s, when it reached 14 per cent.

The annual savings ratio is normally between 8 and 10 per cent. Some bankers reckon the trend reflects higher standards of living, despite the sluggish performance of the economy.

But although the banks may feel somewhat more confident with their own performance, this year and next will present them with a number of new challenges.

There is the question of the *quellensteuer*, or withholding tax on the interest earned on savings accounts. Under a Bill due to be presented to parliament, savings and bonds, until now untaxed, will be taxed to the modest tune of 10 per cent.

So far, savers have not reacted to the tax by withdrawing their savings (which can be held anonymously) probably because the lowest interest-earning savings accounts will still remain untaxed. Bankers, however, do not expect the same high savings ratio to be maintained in 1988 as last year.

The other problem facing the banks is their running costs. All the 1987 statements show a substantial increase in this area.

It is widely recognised that many of the banks are over-staffed and still more concerned with opening more branches than rationalisation. They will need to take a hard look at the kinds of services they offer the customer.

On the brighter side, personal banking has taken a significant leap forward. Creditanstalt, Girozentrale and Laenderbank say they are handling far more business in the personal banking sector.

A new range of services which offers investment certificates, mutual funds, stocks and bonds to the private customer has shown a marked increase – from Sch36bn at the end of 1986 to over Sch68bn in 1987 and Sch81bn in the first two months of 1988.

Girozentrale heads the list in managing these funds, followed by Raiffeisenbank, Creditanstalt and Laenderbank. Mr Wolfgang Feuchtmueller, head of the securities division at Laenderbank, says personal banking has "become the fastest-growing market in Austria."

This suggests that Austrian banks have plenty of opportunities to respond to the changing needs of the more discerning Austrian customer, if they are prepared to seize them.

Judy Dempsey

Profile: Guido Schmidt-Chiari of Creditanstalt

Relief at appointment from within

ON MARCH 7, the day Mr Guido Schmidt-Chiari was appointed chairman of Creditanstalt-Bank-Verein, Austria's largest bank, a collective sigh of relief could almost be heard in its headquarters at Schottengasse in the centre of Vienna.

"He is one of us. It is about time someone was appointed from within the bank," one senior bank official commented.

Another, not known for declaring his personal views, for once dared to offer an opinion on the choice of the new chairman:

"We might at last get some peace and quiet and keep the politicians at a safe distance. It is about time they stopped interfering in the bank and trying to put their own people in the top posts."

The speculation, rumour and fuss over who should be appointed chairman of Creditanstalt would not have been so great had the previous chairman, Mr Hannes Androsch, been a retiring individual.

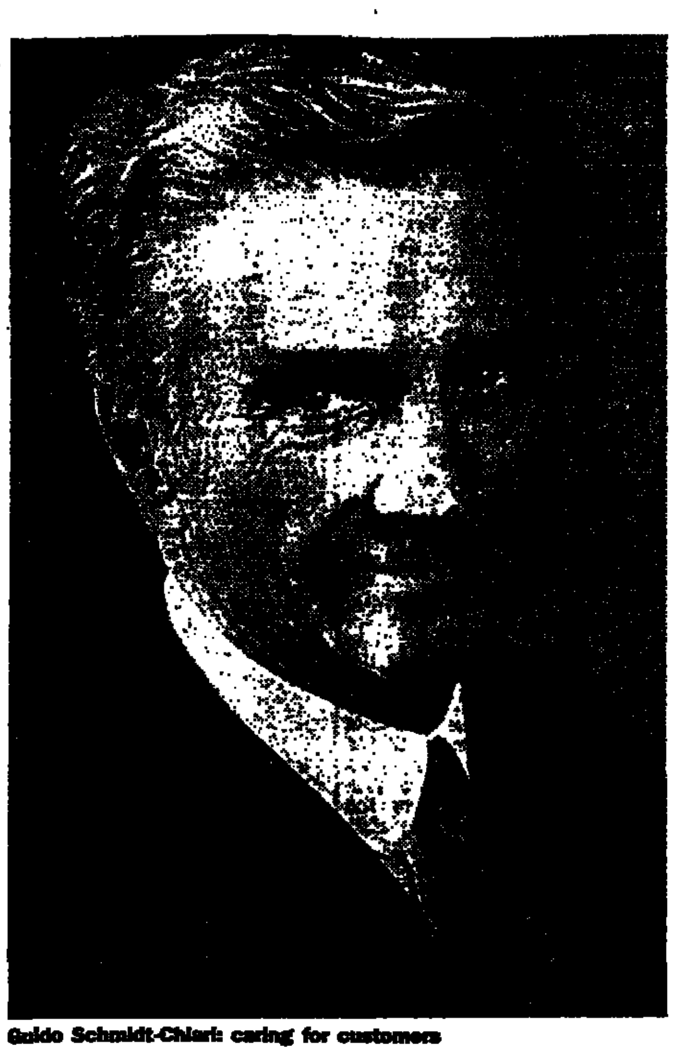
However, Mr Androsch, a Finance Minister in the Socialist Government in the 1970s and at one time tipped as a future chancellor, was a colourful, competent but very controversial figure.

After a long drawn-out court case involving financial irregularities, Mr Androsch resigned from the bank in January. The Austrian media then became obsessed over who should replace him and whether the successor would be a Red (Socialist) or a Black (Conservative People's Party) chairman.

Mr Schmidt-Chiari seemed unperturbed about the speculation and the remarks resulting from his appointment. "I am a banker. I want a strong balance sheet, profits, and a bank that cares for its customers," he said, as he prepared to move out of his elegant wood-panelled office to take up official residence in the chairman's office across the landing of the bank's first floor.

Mr Schmidt-Chiari, 56, had been waiting for this post for some time. Several of his colleagues believe he should have been appointed earlier. After all, they say, he knows the bank and the banking world inside out.

He was born in Vienna in 1932, the son of Guido Schmidt, who was the Foreign Minister the day Hitler marched into Austria on March 13, 1938. His father was later tried for high treason but acquitted.


Guido Schmidt-Chiari: caring for customers

During the early stages of the war, his mother brought the family to Czechoslovakia. In 1948, Mr Schmidt-Chiari was, as he describes it, "re-educated" in a small mining village near Swansea.

After working in Latin America and New York, he joined Creditanstalt in 1958, was promoted to the board in 1971 and to deputy chairman in 1981.

During that time he has seen many changes. For one thing, the profile of the bank, founded in 1855 as a joint stock company and partly owned by the Vienna branch of the Rothschild family, has undergone considerable transformation.

After the economic and political chaos in Austria during the inter-war period, the bank's loss of valuable assets in Eastern Europe and the Wall St collapse in 1929, Creditanstalt was taken over by the Austrian government and then nationalised in 1946.

The state today is the largest shareholder, retaining a 60 per cent share in the bank. Since the 1950s, the bank has retained its traditional contacts with Eastern Europe but has also succeeded in capturing a large and expanding market, both domestically and internationally.

When Mr Schmidt-Chiari first joined, Creditanstalt was about to branch out into retail banking. It was one of the first to introduce private consumer loans and later it began to finance home purchases. Its current balance sheet reflects the changes which have taken place since Schmidt-Chiari's early days.

The 1987 balance sheet stood at Sch388.3bn, an increase of Sch15bn over the previous year. The share of foreign business amounted to over 48 per cent – 38 per cent if export credits to foreigners are excluded.

Foreign business continues to grow. In 1987, foreign currency deposits placed by banks with Creditanstalt totalled over Sch140bn, an increase of about 13 per cent over 1986 and those placed by Creditanstalt rose by 8.2 per cent to Sch109bn.

But Mr Schmidt-Chiari has his eye on making changes. "I want

I have no intention of dealing separately with either faction on the board. I will deal with the bank as a whole and that is how I see it. I want to run the bank

to open more branches in western Austria. This part of the country is expanding economically, so we should have a higher profile there. The bank should also become closer to the customer."

At the moment, the bank has 168 branches, 90 in Vienna, the rest scattered throughout the country.

Mr Schmidt-Chiari also reckons that the size of Austrian enterprises is changing. "The shift is moving towards small and medium-sized enterprises. We must in future reach out to them." Meanwhile, 90 of the country's 100 biggest companies already bank with Creditanstalt.

He is also intent on further developing the New York and London offices. "Securities and trade finance should be increased in London while New York could focus more sharply on acquisitions."

Mr Schmidt-Chiari has his sights set on the Far East as well. Representative offices have been opened in Tokyo and Hong Kong, and it is planned to upgrade the Hong Kong office to a branch this year.

These plans seem a long way from politics. Yet politics, or to be more precise, the state, which permeates almost every level of Austrian society, played a part in Mr Schmidt-Chiari's appointment.

Since the state holds the largest share, the Government and in particular the Ministry of Finance, has a strong influence on who should be appointed chairman. The bank's non-executive supervisory board and the executive managing board have a direct say.

However, in Austria's very special post-war social partnership, the composition of the supervisory boards which appoint the management boards are to this day equally divided between the Reds and the Blacks in many of the state-run industries, although it is slowly changing.

Mr Schmidt-Chiari says he cares little about the political composition of the boards. "I have no intention in dealing separately with either of the factions on the board. I will deal with the board as a whole and that is how I see it. I want to run the bank."

He hopes that, in time, the political nature of the boards will give way to non-politically affiliated members.

"In the past, and this applies to the state-run industries, people were appointed for their party membership cards and not always for their skills. This has got to change."

He thinks that Mr Vranitzky, the Chancellor, is committed to replacing the party membership card with competent and experienced managers.

Several senior bankers at Creditanstalt say these changes will come about only if the state continues to decrease its holding in the banks. That will take time. Under the terms of the privatisation law passed in the autumn of 1987, the state is legally obliged to retain the minimum of a 51 per cent share in the state-run companies.

Mr Schmidt-Chiari is a member of the People's Party but calls himself a Liberal. He believes, however, that political interference is on the wane.

"We are tired of the political limelight. It is time that political interference retreated in this country so that we can concentrate on the balance sheet," he says.

Judy Dempsey

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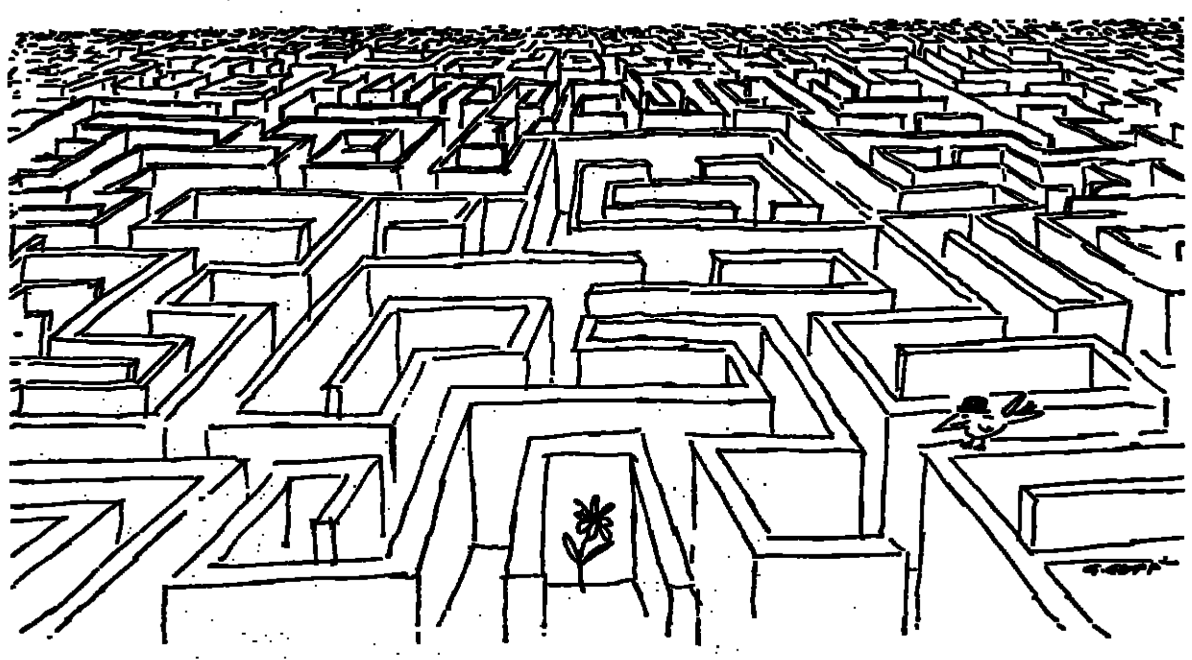

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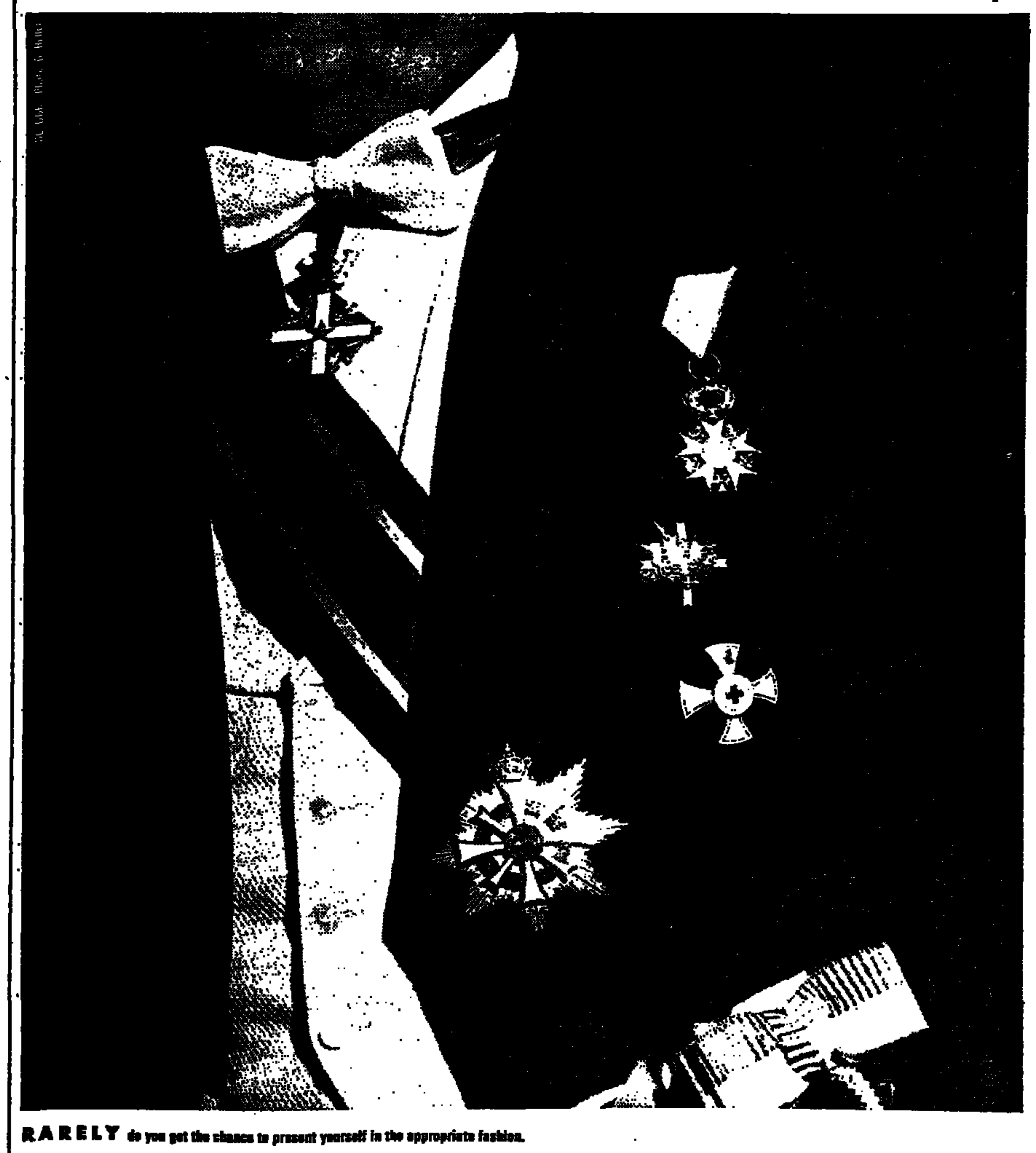

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AUSTRIA CENTER VIENNA

Low trading has unsettled the Vienna bourse

Uncertain year ahead

THE VIENNA stock exchange hovers between caution and challenges as the 1987 results are assessed and new tax reforms approach which will affect the securities market. And a new crop of companies is to be listed on the exchange later this year.

Unlike other stock exchanges, Black Monday did not seriously undermine the performance of the Vienna bourse. The index fell no more than 13 per cent, "one of the lowest," notes Mr Peter Zelnik, an analyst at Girozentrale Bank.

The smallness of the exchange had its advantages. Nevertheless, erratic trends throughout 1987 and during the first two months of this year reveal a sense of caution.

For instance, trading during the first half of last year was sluggish partly due to a lack of foreign interest. But then in July the situation was reversed, thanks to a spurt of foreign buying. Turnover, which plummeted to below Sch700m in June, exceeded Sch2.6bn in July.

The share index shows just how much the market fluctuated. Between December 1986 and June 1987 the index had dropped from 263 to 213 but then rose to 250 in late July. It settled at around 247 in September, but then came Black Monday.

The interesting aspect is that although the Vienna bourse weathered the storms of late October, much to the envy of some other foreign exchanges, "trading has been poor," Mr Zelnik says. "The bourse just didn't settle down, not even by early March this year."

The turnover figures for 1987 indicate the unsettling atmosphere on the Vienna bourse. Turnover fell from Sch20.55bn in 1986 to Sch18.75bn in 1987. The share index fell by 18 per cent, from 261.69 to 206.91 over the same period.

Total market value of the shares also fell, from Sch84.14bn in 1986 to Sch83.22bn in 1987. The average yield slipped from 7.9 per cent to 7.06 per cent.

The trends for early 1988 were just as uncertain. Indeed at one point in February, the share index sank to 188.91, its lowest since April 1985. Over the first two months of this year, the share index fell by 4 per cent.

So what is behind the low turnover and the persistent caution for early 1988?

Analysts pinpoint two main reasons. First, continuing uncertainty over the dollar, "although I think it has flattened out now," Mr Zelnik says. He adds that low trading in Vienna is often a feature during the very early part of the year.

The second reason given is Austria's domestic situation. During the first quarter of 1988, traders and market analysts were waiting to see the final outcome of the discussions over a major tax reform, the first overhaul of the system since the Second World War.

Analysts believe that the tax reform, while creating hesitation in the markets, could be counterbalanced by potentially new opportunities for Austria's investors

The reform will affect the Vienna bourse for the principal reason that interest on bonds will be taxed. Until now, bonds have been untaxed largely because, over the years, government policy was aimed at building up capital and so made bonds and savings (whose interest also remained untaxed) an attractive investment.

The idea now is that interest earned on bonds will be taxed at about 10 per cent. Mr Zelnik and other analysts, including Mr Hans Haumer, chairman of Die Erste Spar-Casse Bank, thinks this could push up share prices and interest rates and generally lead to an increase in capital market prices.

But analysts believe that the tax reform, while creating a certain hesitation on the markets, could be counterbalanced by potentially new opportunities for investors.

The Vienna bourse is a small exchange and suffers from a shortage of liquidity. However, analysts see good *opportunities* for the expansion of capital markets in the long term.

For instance, the Government intends to radically reform the pension system. At the moment, the government subsidises a pension fund which is running at a huge deficit. There are plans to reduce this subsidy.

Mr Zelnik believes that "we could see the establishment of pension funds as major institutional players." That, however, is very much a long-term plan. In the short term, traders are looking forward to a new clutch of listings.

Plans are afoot to partially privatise the state-owned Austrian Airlines. It was originally hoped to sell off about 25 per cent of the company in May; the sale is now likely to be be postponed until the autumn.

Oemv, the successful petrochemicals giant, of which 15 per cent was sold off last November, might consider a second tranche later this year.

A lot of advertising and time was invested in promoting the sale of Oemv in the hope of attracting the small Austrian buyer. Partly because of Black Monday and the timing of the launch, Oemv has performed poorly. The shares were prevented from falling below the issue price of Sch4,400 only after support from Austrian banks.

Oesterreichische Elektrizitaetswirtschafts, the state-run electricity supply company, is also to be privatised.

The decision to list these companies this year depends on the general atmosphere in the markets as well as persuading the small Austrian investor to buy. "We Austrians are a cautious lot," says one senior banker.

The figures speak for themselves. Only about 1.5 to 2 per cent of a population of 7.5m own shares. In contrast, Austrians have more than Sch1,000bn tucked away in saving accounts.

The new tax reforms will leave many Austrians thinking about their precious savings. Will they opt for low risk and modest returns on their savings, or will they venture towards the capital markets?

If they choose to take a little more risk, the Vienna bourse could become a more lively institution.

Judy Dempsey

Salzburg

State industries

Restructuring to end the losses

A RADICAL restructuring programme involving modernisation, investment and a smaller workforce could mean the end of massive financial losses and large state subsidies for Austria's state-run industries, according to Mr Hugo Michael Sekyra, chairman of Oesterreichische Industrieholding ag (Oiag), the umbrella group for the state-owned companies.

Mr Sekyra, 46, a no-nonsense technocrat, means what he says. He was put in charge of Oiag, one of the most *unenviable top jobs* in Austria, in 1986 to introduce changes and, more importantly, to make profits the priority — not jobs for the boys.

When he first took over the group, it was divided into eight subsidiaries, ranging from petrochemicals and pharmaceuticals to engineering and steel plants, which were eating up taxpayers' money. In 1986, the Government shelled out more than Sch32bn to the group which showed few signs of ever coming out of the red.

In 1985, for instance, Oiag lost over Sch14bn. But 1985 was an exceptional year and probably the year which forced the Government to have a major re-think about how the state-run industries should be organised.

A financial scandal precipitated the change. In *late 1985*, the management of Intertrading, a subsidiary of Voest-Alpine, the steel and engineering group, had been caught speculating on the oil markets. The illicit deals cost Voest-Alpine more than Sch2.5bn.

The way in which the management ran Intertrading revealed just how weak the Government's control had been on financial and management aspects of the group.

The Intertrading scandal gave Mr Sekyra an appetite to clean up the whole group. He started first by looking at the books.

Predictably, Voest-Alpine and Vereinigte Edelstahlwerke ag (VEW), the fine steel division of the company, were making the biggest losses — about Sch10bn a year.

Mr Sekyra tackled the company's structure by changing the management, introducing marketing techniques and reducing the workforce. Already, the costs and losses are decreasing.

VEW's losses for 1987 and 1988 will hover around Sch3bn while Voest-Alpine will make losses of over Sch4bn compared to Sch8bn for 1986. But Mr Sekyra believes sections of the company are on the way to recovery. "We are concentrating on competent managers and rationalising the workforce," *he says.*

He has been personally involved in preparing a cutback in the workforce at Voest-Alpine from its present level of 65,000 to about 58,000 over the next two years.

The sights are set on joint ventures which will involve buyers and foreign investors

He regards his biggest success so far as the divison of Voest-Alpine into two specialised divisions. A large board in his modern office in the centre of Vienna shows how the company will work in the future.

Instead of *dozens of small* unrelated divisions in Voest-Alpine, one big division will in future concentrate entirely on steel products and will employ 32,000. The other division will concentrate on engineering and electrical products and employ 16,000.

Mr Sekyra says he has little choice: either the company is restructured or it goes under.

"The days of endless subsidies and large social security payments are coming to an end. Profit is now on my agenda.

"I can't keep going back and asking the Government for more money. We have to think about the balance sheet.

"The Sch32bn we received last year has to last until 1990. By that time, well, we have to break even."

The other subsidiaries of Oiag have been infected with the same kind of zeal. Chemie-Linz, the chemical, petrochemical and pharmaceutical group, has recently been completely reorganised into four divisions which are now embarking on a programme of modernisation and rationalisation. The group lost more than Sch900m in 1986.

Mr Sekyra says that overall, Chemie-Linz should be able to break even by 1988, although the pharmaceutical division will *make a loss of about Sch60m this* year and will not be expected to show some profits until 1990.

But it is not only profit, long a taboo in the state-run industries, which is now top of the agenda. Mr Sekyra has his sights on joint ventures which will involve looking for foreign investors and buyers for sections of Oiag.

Austria Metal, (Amag) the successful metal and aluminium group which made a Sch60m profit in 1987, is becoming one of Sekyra's model industries. Under new management, it has been involved in joint ventures with Brazilian companies and looks set to make bigger profits for 1988.

Meanwhile, Siemens, part of which was recently sold off, and Oemv, the petrochemical industry, of which 15 per cent was sold to the public last November as part of the Socialist Government's privatisation programme, brought a much-needed Sch3bn to Oiag which will be earmarked for capital investments.

Marketing is also high on Mr Sekyra's agenda. He recently set up a company in Frankfurt called Austrian Mergers and Acquisitions (Amanda), of which Oiag will hold a 40 per cent share while Oiag's six subsidiaries will each hold a 10 per cent share. The idea behind Amanda is to look for companies which are interested in investing or partly buying sections of Oiag.

"We can only attract buyers or investors if we have something to show and if we are up-to-date in our technology," Mr Sekyra says, knowing that the steel division would attract little foreign interest in its present state. For 1988 he has allocated more than Sch5bn in new investments *involving the introduction of new* technology.

His plans would have been politically unthinkable five years ago, when the state-run industries were regarded as sacred cows. More importantly, they were regarded as dens of political and vested interests where politics and industry protected each other from the public eye and the scrutiny of the taxpayer.

Mr Sekyra is quickly putting an end to that; he has little time for politics. Instead, he spends a great deal of his time explaining to Oiag's workforce and shop stewards the financial mess he has inherited and how necessary it is to reorganise the group if it is to survive at all.

"The trade unions understand the situation more and more. It has not been an easy time for them," Mr Sekyra says, hinting at the past unquestioned cost of job security, and at the burgeoning bureaucracy and management jobs with guaranteed tenure.

Pandering to political factions or parties is not one of Mr Sekyra's interests, or the political in-fighting of the supervisory boards of Oiag's subsidiaries which are empowered to elect the chairmen.

For years, the boards were evenly divided between Socialist (Red) and the Conservative People's Party (Black) members. And if the chairman was Black, the vice chairman was usually Red or vice versa.

Mr Sekyra, like a growing number of his contemporaries, believes that this system stifled initiative and reduced all decisions to political rather than economic considerations.

Over the past year, major appointments have been made in the group. "I could not tell you whether Guido Klestil, the new chairman of Elin, (the electrical group in Oiag) is Red or Black. I'm not interested. All I care is that he is competent and wants to think about profits not politics," Mr Sekyra says.

He agrees that in the past politics and not profits guided the state-run industries into the red. His approach, he feels, will now put Oiag on the road to recovery.

Judy Dempsey

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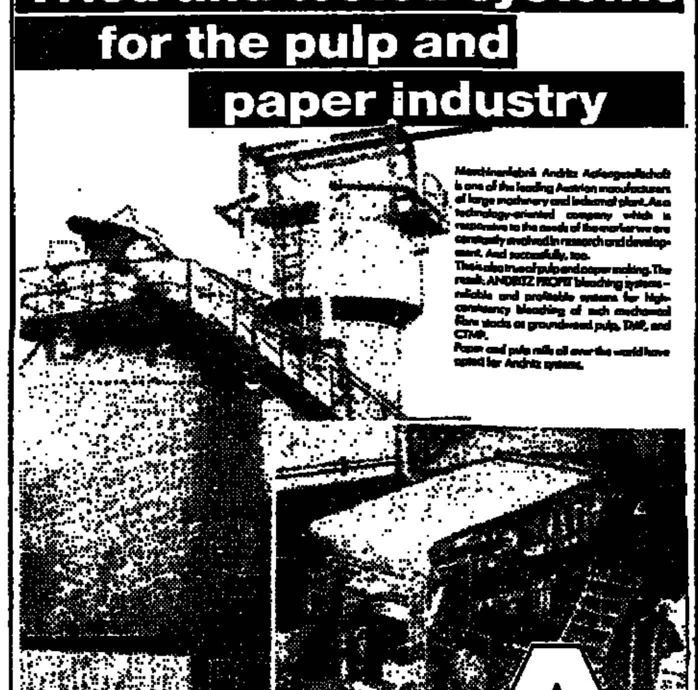

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Some influential bankers are considering routes to expansion

Capital markets heading for closer relationship with EC

A CLOSER relationship between Austria and the EC would give the country's small capital markets a boost and would almost certainly lead to greater liberalisation and deregulation in the banking system.

This is the view shared by several Austrian bankers including Mr Hans Haumer, chairman of the First Austrian bank, who was recently re-elected chairman of the capital markets committee, a post he has held consecutively since 1984.

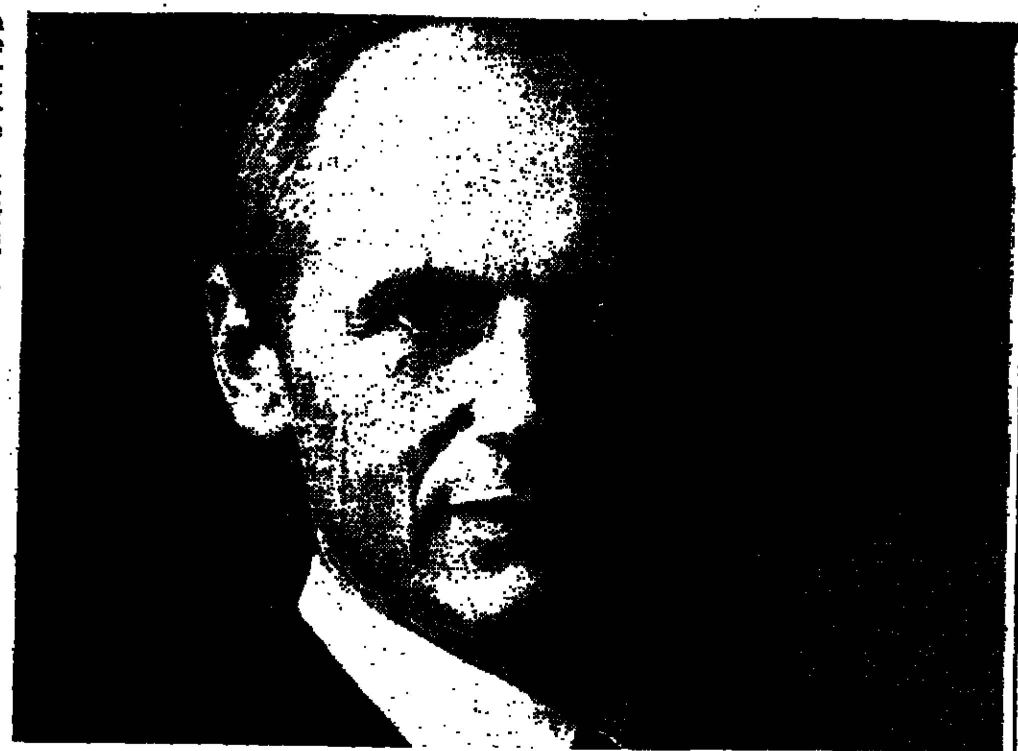
The committee was set up in 1979 when the Austrian Banking Act was passed. The aim of the law was to regulate banking, financial and securities business in the country, as well as putting the banks, regardless of their corporate structure, on the same legal footing. In effect, the law ushered in the era of universal banking.

The committee was set up at the same time to advise the Ministry of Finance on capital markets and on the bond market in particular. The committee is made up of 12 members who include Mr Guido Schmidt-Chiari, chairman of Creditanstalt and Mr Gerhard Wagner, chairman of the Laenderbank. The Austrian National Bank, the Ministry of Finance and the Bourse Kammer (or association) each have observer status.

The committee, which is a consultative and not an executive body, rarely hits the headlines but its work behind the scenes is important when it comes to setting interest rates as well as reporting to the Ministry of Finance on developments within the markets. It is also involved in setting the bench-mark rate on which coupons are set.

Mr Haumer would like to see much more done in the field of opening up and expanding the capital markets. The amendments to the banking law, which came into force on January 1 1987, went some way towards meeting his arguments.

Essentially they were designed to bring the capital ratio into line with current international standards. To achieve this, banks and savings banks were given the right to raise capital, either through issuing participating shares or supplementary capital.



Hans Haumer: banking amendment is only the beginning

But Mr Haumer argues that the banking amendment is only the beginning of the road towards greater liberalisation and that the Ministry of Finance itself will have to undergo changes if Austria is to have closer links with the EC and commit itself to expanding its domestic capital markets.

At present, the Ministry of Finance has to authorise every issue made by the banks

Under the present system, the Ministry of Finance has to authorise every single issue made by the banks, whether bonds, participation certificates or supplementary capital. It also reserves the right to turn down requests to raise capital.

Such rights, says Mr Haumer, cannot be retained indefinitely. "The change will be a long-term development. But it is necessary not only because of the EC, but also because a free market system needs a free capital market."

Mr Haumer thinks that, in practice, closer links with the EC will make it difficult for the Ministry of Finance to retain its right to authorise the raising of all capital. It role would be reduced to setting the rules which would guide access to capital markets.

Other changes he foresees arising from a closer relationship with the EC include:

□ Access to information. This would have to be revised. Much more information than clients receive at present would have to be made available to them.

□ Austrian banks would have to cooperate much more closely with the authorities – in this case, the Austrian National bank – and provide information which could, if requested, be passed on to its European counterparts. As things stand, Austria has one of strictest banking secrecy laws in Europe.

□ Rules on investment funds would have to be amended and details about regulating the minimum size of titles to be traded would have to be brought into line with those of the EC.

Agreeing to implement any of these changes will take time. But as Mr Haumer says, once the EC harmonises its own markets on these issues, which is still under discussion, Austria's banking system will have a much clearer idea of how far it needs to go to attune its own system to the rest of Europe.

Judy Dempsey

Profile: Salko

Loden coats in fashion

WHEN 39-YEAR-old Ludwig Steindl set to work in 1945 on his sewing machine, one of his very few possessions, he had little idea that he was embarking on a huge success.

He rented a small workshop in Ignaz-Harrer Strasse on the outskirts of Salzburg. There he spent his day making Loden coats, those dark green coats with their distinctive style once regarded as the traditional, staid and sensible outdoor-wear worn only by Austrians but now increasingly popular among the fashion-conscious wearers all over the world.

Mr Steindl had no start-up capital and initially his whole business was practically a one-man show. He sewed in the back room of the workshop and had his retail business in the front room.

But by 1955 his company was employing 20 people and its operations were soon divided between retailing and manufacturing, both based in Salzburg.

Today, the company employs 350 and is the largest Austrian exporter of Loden coats, which are now made in several colours.

Development has been dramatic because Mr Steindl – who called his company the Salzburger Konfektion (Salzburg Clothing Company) or Salko for short – was not content to concentrate on Austrian sales alone. He wanted to aim for the export market which meant breaking down age-old prejudices about Loden.

How, after all, could a dull green-coloured coat make an impact on the fashion houses of Paris, Milan, Brussels and London?

It was largely his energy and personality which put Loden coats on the international map. "He himself travelled everywhere," says Stefan Ehrhardt, Mr Steindl's 30-year-old grand-nephew who now runs the business with his grand-uncle and his father, Hannes Ehrhardt, who is Salko's managing director.

"He had to go around patiently explaining that Loden was much more than a dull cloth; that it was a high-quality woollen fibre which had been carefully woven and had centuries of experience behind it."

The word loden comes from the old German word loda, meaning a piece of fabric. It is woven from a particular kind of wool produced by flocks in Spain, Latin America and South America.

Traditionally, the coats used to be made from Tirolean sheep's wool which farmers had a special way of cleaning by treading it in warm water.

Climatic conditions in the Tirol meant that people had to have warm, tough clothes. The way in which the wool was woven, dyed and brushed (to this day, with natural thistles from the Mediterranean) gave Loden clothes not only a distinctive finish which retained the heat, but also a distinctive style and quality.

We are not aiming for fast growth. We are more concerned with maintaining the quality and penetrating the US market

It was this special character which Mr Steindl sought to promote. As he travelled across Europe with his samples, Salko decided to set up three subsidiaries in Munich, Brussels and New York which were specifically aimed at marketing the company's Loden coats in particular and the Salko brand in general.

As a result, the profile of Salko underwent a complete transformation. Thanks to careful marketing, 75 per cent of the company's total production is now exported to 4,000 customers and outlets in Europe and overseas. In 1987 exports accounted for Sch225m of the company's total turnover of Sch300m.

Spain is the company's largest export market, accounting for more than 20 per cent of export sales, followed by Italy and France. Mr Ehrhardt says that the UK market, to which 7 per cent of the firm's coats are exported, is also growing.

At the moment, about 10 per cent of production goes to the US, "the most difficult of markets to get access to," he says.

"It is because Americans have little idea what Loden actually means. We now have to really concentrate on breaking down these old ideas by explaining to retailers in the States what Loden is about."

One way that Salko is going about this is to make the company more fashion-oriented. "That means making some of our finished products, especially the cotton ones, stylish and competitive," he says.

However, the company has no intention of changing the original texture and design of the Loden coat which is both Salko's identity and its flagship product.

Salko has been helped by changing attitudes towards fibres. "The upper end of the market, which we are aiming at, is now increasingly aware of natural fibres and also of traditional weaving and manufacturing techniques. This is very much the trend."

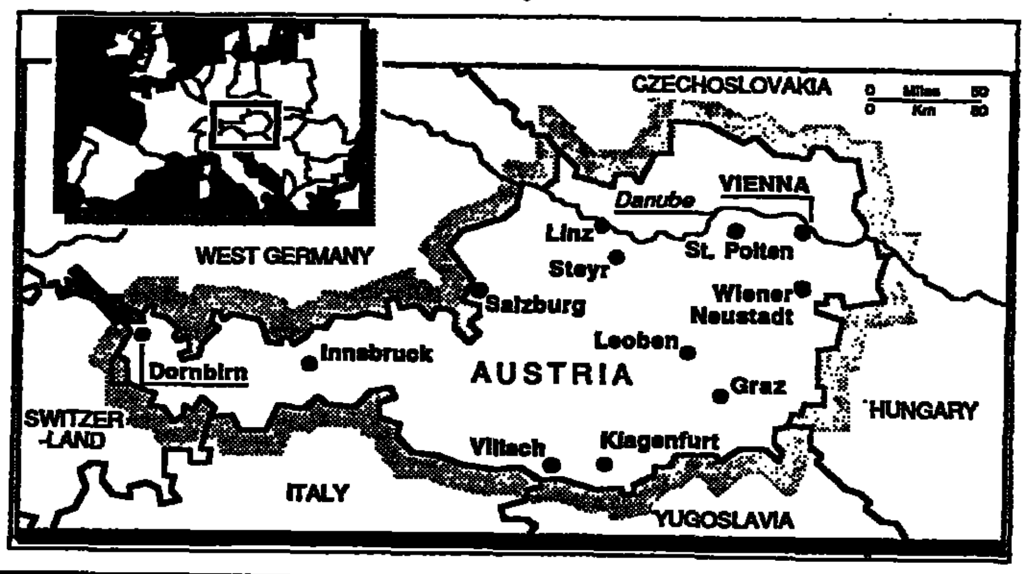
At the moment the company turns out between 800 and 1,200 coats a day. "We are not aiming for fast growth. We are more concerned with maintaining the quality," Mr Ehrhardt says.

However, the company is preparing to expand in other ways. It wants to be able to supply shops with a wide range of Salko clothes and accessories, if not eventually set up a Salko outlet in some of the big department stores.

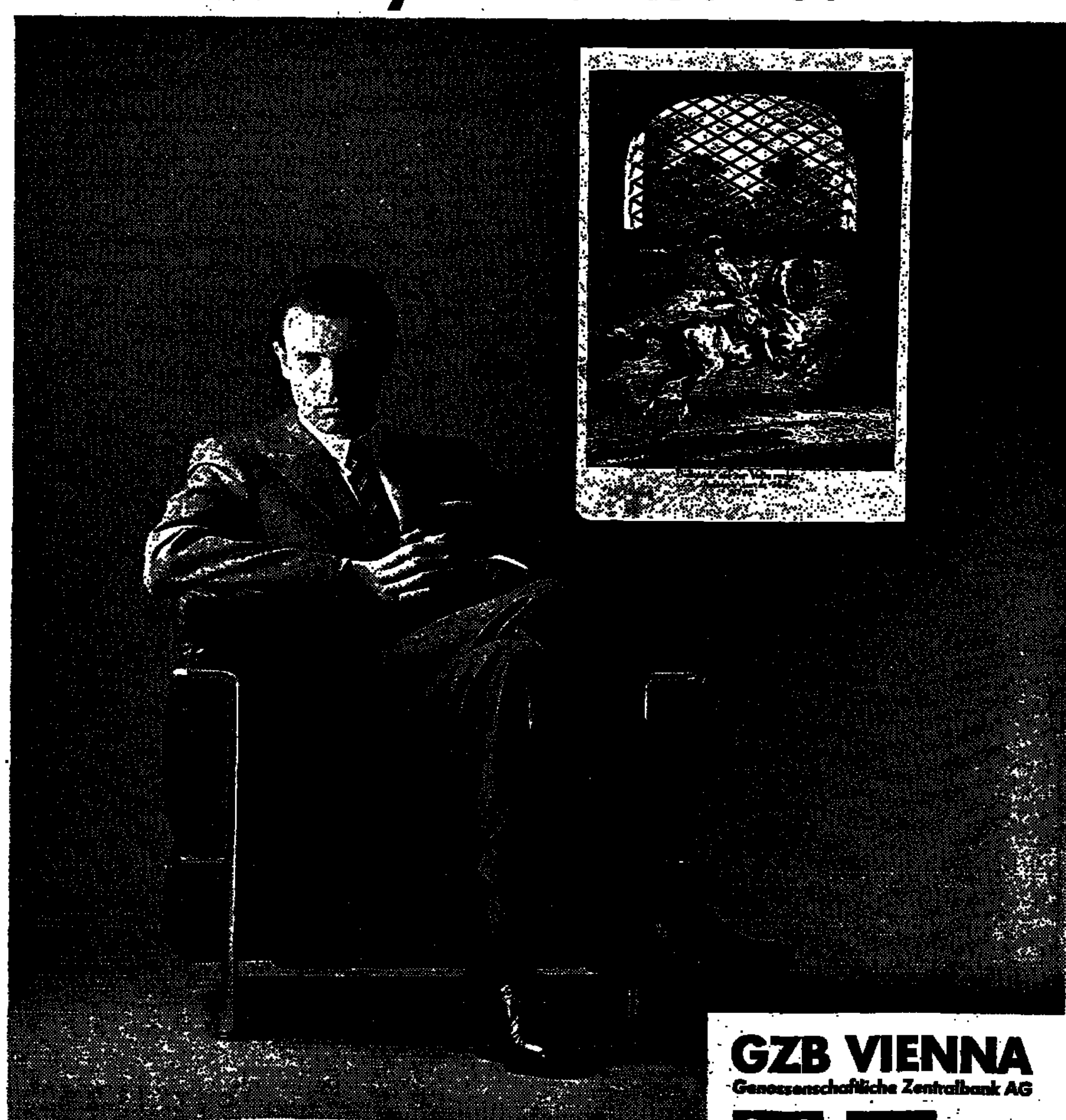
Salko also hopes that Austria will join the EC. This would mean that if Salko commissioned companies outside Austria to manufacture some of its goods, the "Made in Austria" and "Salko" labels could be used, which is not allowed under existing legislation.

For the management in Fischergasse, exposure and prominence of the Salko label is what matters most.

Judy Dempsey



The yield is Austria.



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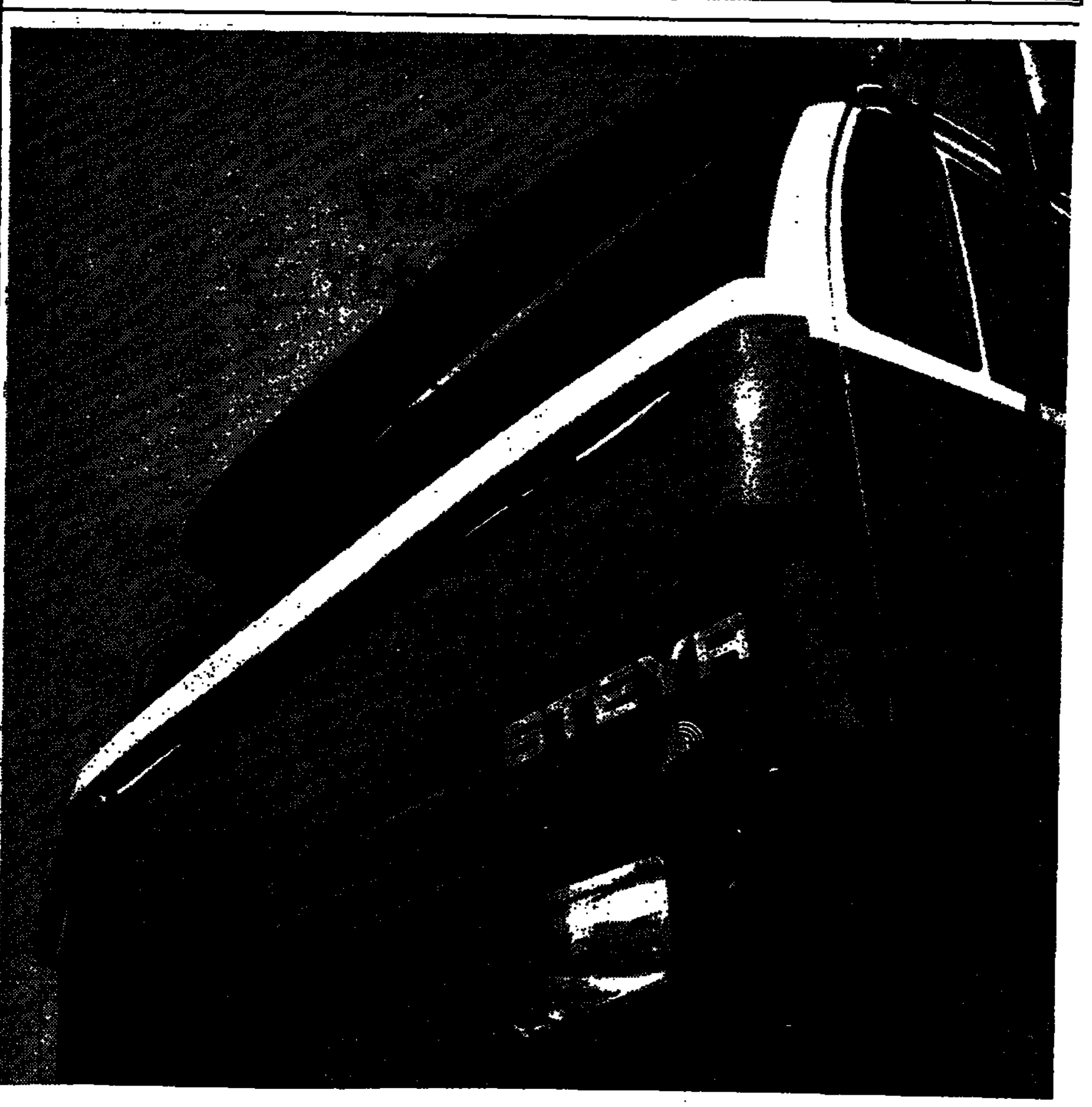

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Above: The Wolfgangersee in western Austria, and (right) horses at the renowned Lippizaner stud in Styria province

Tourist officials no longer rely on skiing to bring in foreign visitors and their revenue

Aiming to attract specialist holidaymakers

THE TOURIST industry looks set for a successful year, in spite of appalling conditions this winter.

The lack of snow during the peak season, contrary to earlier forecasts, has not in fact upset the balance sheet. But tourist officials are no longer content to rely on skiing as the traditional attraction for foreigners.

Tastes are changing and the Austrians are responding.

Tourism is one of Austria's major foreign currency earners, accounting for about a quarter of the country's total foreign exchange earnings and nearly 8 per cent of the country's GDP. Although Austria has a negative trade balance, in 1986, earnings from tourism covered 68.6 per cent of the visible trade deficit.

Earnings last year totalled Sch110bn, an increase of Sch5bn on 1986. But although earnings from tourism improved, the number of bed nights spent by tourists in the country – calculated on the returns sent to the Ministry of Economic Affairs by the hotels and pensions – was unchanged.

Broadly speaking, a total of 13m people spent 114m bed nights in the country, of which 28m bed nights were accounted for by Austrians and 86m by foreign visitors. The earnings growth occurred because they spent more money.

Austria is clearly being affected by the trend towards shorter stays by visitors and it is also attracting two different kinds of tourists.

Italian, Swedish and Swiss visitors continue to return each year – holidays by Italians increased by 11 per cent in 1987, Swiss by 12 per cent and the Swedes by 7 per cent. They tended to spend an average five days in the country.

The number of visits by British and West German tourists, on the other hand, showed a decline, "possibly because of the bad summer last year," says Mr Anton Wuerzl, who has responsiblity for the tourism at the Ministry for Economic Affairs. In the case of the British, an unfavourable exchange rate obviously also played a part.

American visitors, in contrast, are flocking back to Austria. After the scare over terrorist attacks in 1985, which put a dent in the number visiting Austria, the figures increased by 22 per cent for 1987.

Dr Wuerzl reckons the Americans will be back again in full force this summer, although like the Japanese and other long-distance travellers, they normally spend only about three days in Austria as part of a "grand European tour."

Tourist officials say that the Japanese market is one which should be watched and tapped. Slowly but surely, the number of art and music-loving Japanese visitors to Austria is increasing, from 230,000 bed nights in 1986 to 250,000 last year.

Hotels and special sports centres are given ministry subsidies or loans at preferential interest rates to expand their services

To maintain the momentum the Austrian Tourist Board will have to respond to changing attitudes and needs. Tourist officials still regard skiing as an automatic earner for the industry.

About 37 per cent of bed nights are spent in ski resorts, but winter tourists bring in more revenue, about 50 per cent of the total foreign exchange earnings from tourism, simply because skiing is a more expensive way to spend a holiday than, say, walking around the museums and galleries in Vienna.

Even so, the tourist industry is now embarked on a long-term programme aimed at attracting the specialist holidaymaker. Over the past several years, considerable investment has been undertaken to expand the number of tennis courts and golf courses, as well as improving amenities and services.

Hotels and special sports centres are given loans at preferential interest rates, or subsidies from the Ministry of Economic Affairs to expand these services. Even more recently, the tourist board has launched what are called "adventure holidays," aimed at attracting young people.

These holidays tend to focus on mountaineering, hang gliding and mountain cycling. Only six of the 119 glaciers in Austria are open to skiing. The rest are protected by the state and are what Mr Wuerzl describes as wild.

During the summer and autumn, mountain ranges in the Tyrol, northern Tyrol and Salzburg, hitherto closed to tourists, are now opened up to visitors, providing a new dimension to Austria's experience for the tourist.

Tyrol, followed by Salzburg, Carinthia in southern Austria, and Vorarlberg in the west continue to attract the majority of visitors.

As for Vienna, most tourists eventually end up there. But Vienna, as any official and resident of this city knows, is a place which requires a lot of time.

Judy Dempsey

Profile: Ottakringer brewery

A landmark for beer drinkers

A SMALL family-owned brewery in the heart of Ottakringer, Vienna's working class district, has become so successful that the brewery is now listed on the Vienna stock exchange and been spared the drastic consequences of the October 19 crash.

The Ottakringer brewery, whose tower is a landmark in Vienna's 17th district – noted more for its beisels (pubs) than its architecture – was founded over 150 years ago.

For many years it has been in the hands of the Harmer family whose easy-going style is personified by Mr Engelbert Wenckheim, the ebullient managing director, who joined the company in 1962.

But what is interesting about Austrian drinking habits is that, in spite of the changing nature of the economy away from blue collar to white collar work, and the large wine market, beer consumption is on the increase.

This sort of trend could be expected more in Czechoslovakia, the traditional home of brewing, where the Czech consumption of beer per head now exceeds 132 litres a year.

In the early 1950s, Austria's annual beer consumption per per head totalled about 35 litres. But then, beer had distinct social connotations. It was regarded as a working class drink and, as Mr Wenckheim points out: "It was liquid bread."

By 1960, Austrians were drinking an average 72 litres of beer a year, which rose to 99 litres by 1970, 102 by 1980, and 116 litres in 1986.

This is where Ottakringer's decision to go partly public enters the picture. In 1986, Mr Wenckheim decided to raise capital through issuing non-voting shares. And the company's balance sheet looked an attractive investment proposition.

Ottakringer's turnover totalled Sch655m in 1987, a 6 per cent increase on 1986. Profits also increased from Sch18.4m in 1986 to Sch20m in 1987. Cash flow for 1987 totalled Sch77m compared with Sch70.2m in 1986.

At the time of the company's public launch in November 1986, the brewery's total share capital amounted to Sch50m, 100 per cent-owned by the Haumer family.

The share issue was split into two – 7,000 shares at a nominal value of sch1,000 and 30,000 shares at a nominal value of sch100 were issued at a price of Sch7,400 and Sch740 respectively, reducing the family's holding in the company to about 83 per cent.

Spurred on by the success of the flotation, on which shareholders last year received a dividend of 21 per cent, Ottakringer launched a second tranche on the bourse just before Black Monday,

In spite of the large wine market, beer consumption is on the increase

in the form of special *optionsschein*, options certificates somewhat unique to Austria which allow buyers to purchase limited numbers of shares. Both sets of share issues have more than weathered October 19.

For the moment, the Ottakringer brewery has no further plans to expand the share capital. The family wants to retain its majority holding and concentrate on investment in its existing facilities.

As well as modernising the brewery by installing new beer tanks, there are plans to repay loans. Attention will also focus on promoting the beer of the company's new acquisition, Kapsreiter Landbier, which Ottakringer bought in mid-1986.

This small brewery, which is situated on the river Inn, near Schaerding, north-western Austria, and which had been making losses for several years, has undergone a complete metamorphosis under Ottakringer's management.

Kapsreiter Landbier is being promoted as a traditional high-quality brew for the more discerning drinker. The beer has already become the topic of serious discussion among seasoned beer drinkers who debate its merits and how it compares with Czech beer. For any beer to be so compared is indeed a compliment.

Judy Dempsey

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○ Disneyland?
○ Marineworld?
○ Japan?
○ Austria?

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Why not Disneyland? They made billions with talking ducks...

Why not Marineworld? At least they've got enough water around...

Why not Japan? It invented cars, cameras and sushi...

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